EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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NUCLEAR POWER
Sweden counts the cost of opting out
Page 12

World News

Dutch unveil ambitious plan to cut pollution

Netherlands unveiled details of a long-term environmental plan which it described as the most ambitious ever proposed by a government. It is intended to cut all forms of pollution by at least 70 per cent by 2010.

UK expels Czechs

UK expelled four members of the Czechoslovak embassy in London for activities incompatible with their status – the diplomatic term for spying. Page 20

Touvier charged

Paul Touvier, one of France's last wanted war criminals, was charged on four counts of crimes against humanity. Page 2

Gandhi poll boost

Election prospects of Rajiv Gandhi, Indian Prime Minister, received a further boost with official forecasts for a good monsoon. Page 4

Ethiopian command

Ethiopian President Mengistu Haile Mariam has replaced his entire military high command, tightening his grip on the rebellious armed forces after last week's attempted coup. Page 6

White to hang

South African court sentenced white mass killer Barend Strydom to death for murdering eight black people, including seven mown down in a shooting spree in Pretoria.

Dam inquiry

Czechoslovakia has agreed to allow a joint commission with Hungary to investigate the environmental impact of a controversial dam project on the Danube. Page 2

Nakasone denial

Yasuhiro Nakasone, former Japanese Prime Minister, appeared as a witness before the Diet and denied allegations of wrongdoing in the Recruit scandal. Page 4

Afghan offensive

Afghan government forces moved on to the attack against Moslem rebels besieging the eastern city of Jalalabad and plan to push them back to the Pakistan border.

Arab arguments

Arab leaders extended their summit into an unscheduled third day amid heated arguments over the future of Lebanon. Page 4

Bolivian murders

Bolivian rebel Armed Forces of Liberation group said it gunned down two young US Mormon missionaries in a protest against foreign interference.

Irish election

Mr Charles Haughey, Irish premier, called a general election for June 15, coinciding with voting for the European parliament. Page 2

Afro-French talks

French and African leaders at a summit of French-speaking countries are trying to defuse tension between Senegal and Mauritania, which are reportedly on the verge of war.

Turk gets remission

Mehmet Ali Agca, the Turk sentenced to life imprisonment for shooting Pope John Paul, received two years remission on his jail term for good behaviour.

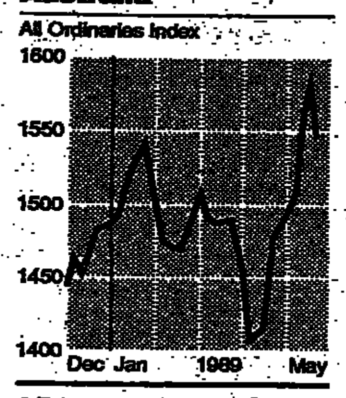
Business Summary

Salomon censured for violating US selling rules

Salomon Brothers, the powerful Wall Street securities house, was censured by the US Securities and Exchange Commission for violating its short selling rule on the day of the 1987 stock market crash. Page 21

AUSTRALIA suffered its steepest daily fall for more than five months as investors took profits. The All Ordinaries index

Australia



fell 27.2 to 1,544.0 on volume. Page 52

EUROPEAN Commission has won its controversial fight for a new rule of origin on photocopiers, which will extend anti-dumping duties to copiers exported to the EC by Ricoh of Japan. Page 20

SAAB-SCANIA, Swedish aerospace and motor group, has decided to go ahead with production of its new 50 seater turboprop aircraft, to be called the Saab 2000. Page 22

PERNOD RICARD, French drinks company, has reached a peace settlement with Coca-Cola of the US over distribution in France. Page 21

GENERAL MOTORS, US car maker, is to enter the growing West European market for high performance sports coupés early next year with the launch of the Opel/Vauxhall Calibra. Page 22

SWISS national bank is to float the official Lombard rate, which applies for loans granted against securities or other collateral. Page 2

EASTERN Air Lines, US carrier, has sold its Boston-New York-Washington shuttle to US investor Donald Trump after America West Airlines failed to raise backing for a higher bid. Page 22

IVECO, Italian van and truck subsidiary of Fiat, has taken a 27 per cent stake in Turkey's leading commercial vehicle manufacturer. Page 6

CREDIT SUISSE Buckmaster and Moore, UK securities subsidiary of the Swiss bank, has made 70 people redundant.

MANNESMANN DEMAG, West German building group, won a $99m order to build a plant for Italian steelmaker Finarvedi. Page 6

ORGANIZACION Diego Cisneros, privately owned Venezuelan group, stands to make a loss of around $31m on a stake in Mountleigh, the UK property group. Page 32

ISRAEL Chemicals (ICL), the country's biggest state-owned industrial group, announced profits of $74m. Page 24

MD FOODS, Danish dairy producer, has merged with rival Nordjysk Mejeriselskab, to form the largest food concern in Scandinavia. Page 24

LEND Lease, Australia's largest listed property group, announced a $83.7m one-for-10 rights issue. Page 23

HONDA MOTOR, Japanese car and motorcycle company, suffered a 5 per cent fall in pre-tax profits. Page 25

LEBANON'S economic minister confirmed details of a Lebanese-Iraqi draft trade agreement worth $100m. Page 6

Gorbachev feels glare of glasnost as Congress opens

By Quentin Peel and Edward Mortimer in Moscow

MR Mikhail Gorbachev came under searching public and personal interrogation at the opening session yesterday of the country's new Congress of People's Deputies, but he was heading last night for certain election as the first executive president of the Soviet Union.

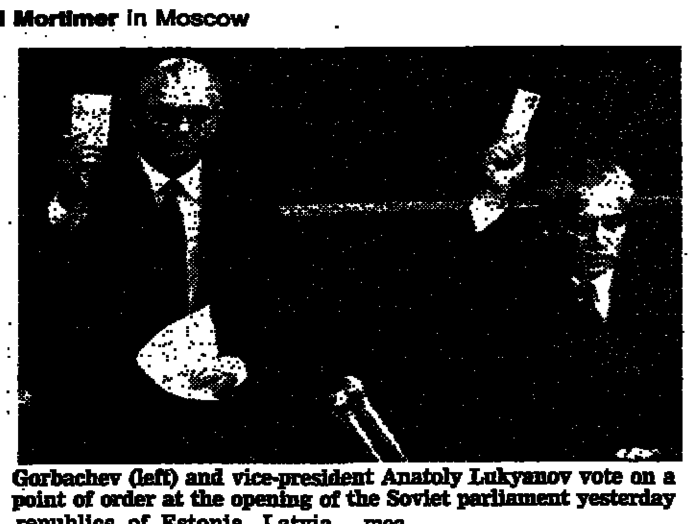
He emerged as the only candidate for the new post – combining leadership of the ruling party with sweeping executive authority – after Mr Boris Yeltsin, the landslide victor of the elections for the city of Moscow, refused to stand against the Communist Party's sole nominee.

Mr Yeltsin's revelation that the party – with 86 per cent of the new assembly – had agreed at Monday's central committee plenum to put up only one candidate took the gloss off a day which otherwise revealed the remarkable progress of democratisation in Soviet political life.

The election came at the end of an extraordinary launch for the Soviet Union's new super-parliament, which saw debate, disagreement and radio criticism virtually unprecedented in 70 years of Communist Party rule.

It produced the greatest applause of all for the venerable figure of Dr Andrei Sakharov, spiritual father of Soviet dissidents for 20 years, when he pledged his "conditional support" for Mr Gorbachev, and above all, for his perestroika process.

But Dr Sakharov also led a vain attempt by radical Moscow deputies, backed by supporters from the Baltic



Gorbachev (left) and vice-president Anatoly Lukyanov vote on a point of order at the opening of the Soviet parliament yesterday

republics of Estonia, Latvia and Lithuania, to force a debate on policies and personalities before any elections. The bid was rejected by the great silent majority of the mighty Congress – 2,250-strong – still dedicated to following the party line.

Nonetheless the day saw for the first time in living memory a real range of opinions in a Soviet legislature, as the deputies who emerged from the first multi-candidate elections showed they were taking Mr Gorbachev's commitment to glasnost – openness – at face value.

They showed disrespect for the traditional sanctity of the Kremlin leadership, sharply questioning Mr Gorbachev on the April massacre in Tbilisi, when 20 nationalist demonstrators were killed by Soviet soldiers – and on rumours of a new country cottage in the Crimea.

The Congress revealed a new breed of politician as a string of speakers, many strikingly young, from Moscow, Leningrad, the Baltic republics, and the far reaches of the Russian federation demanded a major role in government for the new assembly.

A carefully pre-cooked agenda came in for fierce criticism for failing to provide any time for debate before the elections for the new President, and for the 542 members of the new Supreme Soviet, which is to become the country's standing parliament.

Yet when Mr Vitaly Vorotnikov, the Politburo member in the chair, tried to guillotine the debate on Mr Gorbachev's candidacy, it was the Soviet leader who intervened to ensure that it continued.

The move exposed him to a sudden burst of questioning and criticism, led by the rebellious deputies from Leningrad and the Baltic republics.

Ms Marju Lauristin, joint leader of the Estonian Patriotic Front, demanded his opinion on the use of troops "to suppress nationalist movements," and for him to say when he knew about the tragic events in Tbilisi last month.

The debate, televised live throughout the day, forced Mr Gorbachev to admit to failures in his reforms, while committing himself totally to the path of continuing reform and democracy.

"There have been mistakes, there have been major failures," he said. "There have been disasters which could have been avoided."

Several deputies denounced the plan to combine his jobs of Communist Party leader and executive president, and urged the nomination of other candidates. One non-party member nominated himself – Alexander Obolensky, a construction engineer from Leningrad region – only to have his nomination rejected by a large majority of smirking delegates.

Then the deputies of Sverdlovsk nominated their old party boss – Mr Boris Yeltsin, only to see the man who was subsequently sacked from the Politburo and Moscow city leadership, turn down the nomination.

"I'm a party member, and as a party member I must abide by the party wishes," he said. He had agreed at the central committee meeting on Monday not to oppose the party's sole candidate, he said.

Brussels likely to rule against Finmeccanica

By Alan Friedman in Milan

The European Commission is poised to rule that L615bn ($422m) of illicit state aid was given to Alfa Romeo before its sale to the Fiat group in 1986.

The Commission, having concluded its investigation of the 1986 takeover, is expected to declare that Finmeccanica, the Italian state holding company which sold Alfa, had distorted competition in the car sector by injecting aid into Alfa before it was sold.

If, as is expected, a meeting of commissioners next week approves the results of the Brussels investigation then Finmeccanica will probably be ordered to repay the money either to IRI, the state holding group which is its parent, or to the Italian Government.

Fiat and Finmeccanica said that they had no comment to make because there was as yet no official decision from Brussels.

Senior Commission officials said that there had been a lively and lengthy internal debate on the issue of whether Finmeccanica or Fiat, which some officials argued had been the indirect beneficiary of the previous aid to Alfa, should be asked to repay the money.

The Brussels investigation was opened in July 1987 and was originally charged with examining both the L615bn of capital injections paid by Finmeccanica to Alfa Romeo and whether Fiat received preferential treatment from the Italian Government during the takeover.

The investigation into the Fiat takeover was based on the Commission's initial calculation that Fiat paid an effective price of just L400bn for Alfa because Fiat took possession of Alfa Romeo on January 1 1987 and will not make any payments of the L1,024bn purchase price until January 2 1993 - and then in five annual instalments stretching until 1998 and without any interest between now and the 1990s.

The Fiat takeover was a controversial affair in Italy because it managed to triumph over Ford of the US with a last-minute offer that Finmeccanica claimed was better than the US car maker's proposal.

The final report by investigators to the Commission, while stating that the Fiat and Ford offers for Alfa were "comparable," does not recommend any procedures against Fiat.

An official in Brussels said that there had been "an enormous lobbying campaign to clear Fiat" by Italian representatives at political and diplomatic levels.

The most unusual aspect of the finding is that Finmeccanica rather than Alfa itself is likely to be asked to hand back the state aid. Normally the company that receives the unauthorised state aid must make the repayment.

Alfa, however, has been absorbed into the Fiat group and thus in juridical terms no

Continued on Page 20

China's hard-liners regain control

By Peter Ellingsen in Peking and Steven Butler in London

THE CHINESE Government last night appeared poised for a military crackdown on student demonstrators as Li Peng, the Prime Minister, appeared in public, signalling his apparent reassertion of control over the Government.

Peking had an air of forboding following an official radio broadcast which indicated a marked hardening in the official line and accused the pro-democracy students of being counter-revolutionaries, a severe offence. The radio also relayed a message from military leaders exhorting troops to follow party orders and to study the martial law directives of Li Peng.

With increasing support for a hard line from military and regional leaders, the Government, under control of Deng Xiaoping, China's paramount leader, appeared determined to end the deepening political crisis caused by widespread pro-democracy demonstrations throughout the country.

The Prime Minister's public appearance, for the first time since martial law was declared in the capital on Saturday, signalled a possible victory in the bitter power struggle with Zhao Ziyang, the reform-minded party general secretary who had opposed martial law.

Li told foreign ambassadors that troops surrounding Peking would only enter the capital after citizens understood the army's purpose. Demonstrators on the steets have kept the soldiers at bay for six days.

However, more troops were reported to be converging on Peking from other parts of China following the refusal of the Peking command to carry out martial law orders.

Barricades were again erected on the streets of the capital last night, as fears were building that a move by the army could be imminent. The city had seen another big demonstration during the day, in which demonstrators, joined by students from across China, demanded Li's resignation under ominous banners reading: "Dare to Die." Other big demonstrations were also reported in Shanghai, Wuhan, Changsha, and Xi'an.

Students occupying Tiananmen Square in central Peking, who had previously staged a hunger strike, were locked in debate about whether to leave the square. Some proposed abandoning the area if the troops were pulled back.

Wan Li, chairman of the National People's Congress, China's legislature, was officially reported to be in Shanghai for medical treatment, after

Background, Page 4
Continued on Page 20

Fed leads concerted bid to push $ down

By Peter Norman in London and Janet Bush in New York

CENTRAL BANKS, spearheaded by the US Federal Reserve, capitalised on news of a downward revision of US first quarter economic growth to push the dollar lower in active foreign exchange trading yesterday.

Their move pushed the US currency below the psychologically important DM2 level and restored some credibility to the Group of Seven policy of co-operating on exchange markets by showing that the dollar could go down as well as up.

In London, the dollar closed at DM1.9950 compared with DM2.0125 on Wednesday and at Y141.95 against Y142.85. Sterling, which was supported by Bank of England dollar sales after announcement of April's increased British current account deficit as well as later in the concerted central bank action, advanced to $1.58 from $1.5685 on Wednesday.

In New York the US currency closed at DM1.9805 and Y141.205 compared with its early highs before the GNP release of DM2.0095 and Y142.55.

The dollar had already slipped in early US trading on

Continued on Page 20

Japanese bank in £94.5m bid for Guinness Mahon of UK

By David Lascelles, Banking Editor, in London

THE Bank of Yokohama, Japan's largest regional bank, is making a £94.5m ($147m) bid for Guinness Mahon, the City of London merchant bank whose future was thrown into doubt by the failure earlier this year of its largest shareholder, Equiticorp of New Zealand.

The bid is believed to be the largest yet made from Japan for a publicly quoted company in Europe and it was seen in the City as marking a significant Japanese advance into the international financial services market.

Bank of Yokohama has secured irrevocable support for its bid from the consortium of 28 creditor banks which took over Equiticorp's 61 per cent stake when the company went into voluntary liquidation. Other major shareholders include Mr Robert Maxwell with just under 15 per cent and Lord Kissin with 5 per cent.

Bank of Yokohama was the winning bidder for the 61 per cent stake in a blind auction which was held on Wednesday afternoon by Rothschild, the creditor banks' advisers.

Mr Russell Eadie, the corporate finance director who organised the auction, declined to say how many bidders there were. Other institutions known to have been interested included two French banks, Credit Agricole and CIC, and Central Capital Corporation of Canada.

Under the Takeover Code, Bank of Yokohama will now have to make a bid for the remaining shares on the same terms.

The merchant bank's board will shortly make its recommendation to shareholders.

The Bank of Yokohama's bid is equivalent to 146p a share compared to a a disclosed net asset value of 140p. The shares closed at 142p last night.

Mr Osamu Nagatsuka, international managing director of Bank of Yokohama said the bid marked a major step in his bank's strategy to increase its overseas business and expand into the investment banking market.

Bank of Yokohama is the 24th largest bank in the world in terms of market capitalisation, which puts it ahead of the largest banks in Europe and the US.

Mr Geoffrey Bell, chairman of Guinness Mahon, said he was delighted by the emergence of the Japanese bank as the winning bidder because this would give his bank powerful connections in the Japanese market and restore much-needed stability.

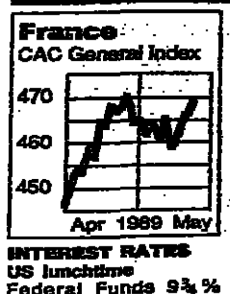
Aside from marking a rare instance of a Japanese company seeking growth in Europe by acquisition, the deal marks the first direct move by a Japanese bank into merchant banking.

Equiticorp's creditor banks will receive £58m, against their total exposure to the New Zealand company of some £100m. The remainder should be covered by the sale of their stake in Guinness Peat Group.

Lex, Page 20; Background, Page 21

MARKETS

France
CAC General Index



INTEREST RATES
US lunchtime
Federal Funds 9¾% (9¾)
3-mth Treasury Bills: yield: 8.79% (8.649)
Long Bond: 102$\frac{11}{32}$ (102½)
yield: 8.65% (8.632%)
London
3-month interbank close 13$\frac{27}{32}$% (13⅞)

STERLING
New York closing
$1.5905 (1.5890)
London:
$1.5800 (1.5685)
DM3.1525 (3.1550)
FFr10.6800 (10.6925)
SFr2.7750 (2.8025)
Y224.25 (224.0)

DOLLAR
New York closing
DM1.9805 (2.01230)
FFr6.7100 (6.8190)
SFr1.7430 (1.7855)
Y141.205 (142.795)
London:
DM1.9950 (2.01230)
FFr6.7800 (6.8175)
SFr1.7560 (1.7860)
Y141.85 (142.85)

GOLD
New York latest
Comex June
$367.1 (+2)

STOCK INDICES
New York closing
Dow Jones Ind. Av.
2,482.59 (-1.26)
S&P Comp
319.02 (+1.31)
London:
FT-SE 100
2,136.6 (+3.9)
World:
141.12 (Weds)
Tokyo
Nikkei Ave
34,005.39 (+153.57)
Frankfurt
Commerzbank
2,136.6 (+3.9)

OIL
Brent 15-day (Argus)
$18.125 (-0.10) (June)
West Tex Crude
$19.715 (+0.05) (July)

CONTENTS

Thrown in at the deep end of the defence debate

West German Defence Minister Gerhard Stoltenberg is trying to reassure Nato that the Federal Republic's bedraggled defence consensus will remain intact. But his ability to deliver depends on factors beyond his control
Page 2

Nato gives a quiet handclap to Warsaw pact offer

By Judy Dempsey in Vienna

NATO diplomats welcomed as positive but incomplete fresh numbers presented by the Warsaw Pact at the negotiations on Conventional Forces in Europe (CFE) yesterday in Vienna.

They add that the long-awaited figures, which cover overall limits on forces in particular regions of the continent, unexpectedly did not include specific ideas on central Europe.

Yesterday's proposals had been expected to complete a series of East bloc proposals. President George Bush spoke positively on Wednesday of the Pact's suggestions to date, saying they could transform Europe's military landscape.

But Nato diplomats said that until the Warsaw Pact presented *figures for the central* European zone, which includes the area between Belgium and Poland, an overall assessment would be difficult to make.

Central Europe is considered crucial regions to the CFE talks since it contains the highest concentration of forces.

The CFE negotiations aim at increasing stability as well as reducing the element of a surprise attack by reducing *conventional forces to equal ceilings* from the Atlantic to the Urals. The Warsaw Pact figures presented yesterday cover two other zones, which differ slightly different in size from Nato's.

A more serious problem is that the Pact's proposals cover both armaments in active units and in storage. Although Nato *included storage units in its* overall ceilings, it excluded *them in its "sub-ceilings"* covering particular regions on the grounds that storage is essential for Nato's strategy of flexible response and forward defence. These storage units consist mostly of US forces. Mr Stephen Ledogar, head of the US delegation, yesterday said that in the case of an agreement in Vienna, "there would *be a strict regime" for monitoring storage.*

These forces, he added, would be counted, limited and each side would be notified well in advance of forces being moved in and out of storage.

In addition, the Warsaw Pact figures yesterday covered six categories of forces, including helicopters and aircraft. Nato's proposals of March 6, contained only three categories: *main battle tanks, artillery and* armoured troop carriers.

Nato does not rule out discussing aircraft at some stage since it is part of the CFE mandate. However, it strenuously objects to the Soviet Union's insistence that only offensive, and not defensive aircraft, should be included in any first-phase agreement. Western *diplomats say that such a distinction* would leave the Warsaw Pact with an advantage over Nato.

"We are willing to discuss all aircraft," a Nato diplomat said yesterday. However, they warned that the difficulties in verification, the high mobility, and the inherent flexibility of aircraft which can be attributed both offensive and defensive roles in a matter of hours, *could in* fact delay an early agreement.

"We should focus in the beginning, on those forces which pose the least problems," Mr Ledogar said. Despite these differences, Nato's response was up-beat and more positive than in previous weeks. "The fact that the Warsaw Pact is working along *the Nato concept of ceilings*, sub-limits and sufficiency rules is good news", Mr Ledogar said.

Over the next few weeks, both sides aim at setting up working groups which will proceed to tackle counting and definition rules.

● The US navy has substantial advantages over the Soviet navy and these will grow over the foreseeable future, argues a new study from the Stockholm International Peace Research Institute (SIPRI) published yesterday.

It argues that the Soviet navy *is shrinking* with the probable retirement of an estimated 185 or more major surface combat vessels ships and between 230 to 240 submarines by the end of the century.

The authors of the book - Richard Fieldhouse and Shunji Taoka - argue that at its current shipbuilding rate the Soviet Union will not be able to replace all those ships and submarines. As a result the SIPRI study believes the Soviet surface combatant fleet will shrink by a third to 200 vessels by 2000 and the number of submarines in operation will drop from 370 today to only 230.

Stoltenberg: must assure Nato of a defence consensus

Stoltenberg the counterweight faces his allies

David Marsh in Bonn on the West German Defence Minister

MR Gerhard Stoltenberg, the former Finance Minister propelled to the Defence Ministry in last month's reshuffle, brings solidity, common-sense and capacity for hard work to the *toughest*, most thankless job in the Bonn government.

Mr Stoltenberg, 60, a Christian Democrat grandee with a statesman-like sheen to his silvery hair, is well known internationally. He must now reassure Nato that the Federal Republic's bedraggled defence consensus will remain intact.

His ability to deliver, however, depends on factors largely beyond his control. The fate of Chancellor Helmut Kohl's centre-right coalition is linked crucially to whether disarmament talks in Vienna make sufficient progress over the next year to appease grow*ing domestic scepticism* about Nato's policies.

In the last two of his six-and-a-half years as Finance Minister, Mr Stoltenberg moved into ever more turbulent waters. His political standing suffered from cabinet infighting and scandal in his state of Schleswig-Holstein.

Now, he has been thrown in at the deep end. He has taken over at the Hardthöhe, the Ministry's hilltop headquarters outside Bonn, at a time of dispute with the US and Britain over short-range nuclear weapons and of uncertainties about the future capability of the German armed forces.

Mr Stoltenberg was in Washington last weekend for tricky negotiations over the conditions under which talks on reducing East-West stocks of short-range nuclear missiles could start.

Today he travels to London for a first exchange of views with Mr George Younger, British Defence Minister.

In an interview with the Financial Times after his return from Washington, Mr Stoltenberg said he found his new responsibilities "very rewarding" and said he was "optimistic" about the chances of compromise on short-range missiles.

Speaking of Mr Mikhail Gorbachev's *impact on* the German political psyche, Mr Stoltenberg did not attempt to play down his own difficulties. But he ascribed Soviet reform moves to "the political and economic crisis of Communism."

He declared: "Of course we wish that Mr Gorbachev succeeds, leading to economic reforms, more human rights, and more democracy."

"People should not confuse hopes and realities."

Referring to euphoria in sec*tions of the the German public* opinion about the chances of a break-through in the Soviet Union towards a Western-type system, he declared, "We have to explain that people should not confuse hopes and realities. Our fundamental view is paramount: the changes in the Soviet Union do not alter our ties to the West. This is accepted by the majority of our people."

The row over short-range arms talks — which the US and the UK believe could destabilise European security — and unpopular low-flying exercises in Germany by the Royal Air Force will be on the agenda in Mr Stoltenberg's talks in Whitehall today.

Mr Stoltenberg's predecessor, Mr Rupert Scholz, was removed after only 11 months, mainly because he failed to handle controversy *over* Nato flights over Germany and other military burdens.

The new minister puts the low-flying protests in the context of the massive concentration of troops and weaponry in the Federal Republic.

But, in his armour-plated Mercedes on a European election campaign tour in *south*-west Germany, Mr Stoltenberg was adamant that "it does not make sense to have a modern army if it doesn't train."

At a meeting in prosperous Neustadt in the wine-growing Palatinate region, Mr Stoltenberg was left in no doubt of local feeling. Although a Christian Democrat bastion, opposition to flights from the giant US air base at Ramstein has been growing fast.

"It makes no sense to have an army if it doesn't train."

Large anti-low flying banners are hung over the main roads. At the poll meeting, an *attractive* young mother stood up to say that, when US jets whisked 150 metres over her children, she was reminded not of peace but of war.

Mr Stoltenberg said he was trying to reduce the nuisance but the training had to continue. Afterwards, he noted with discreet pleasure, the woman applauded him.

In his talks with the US, his acquaintance with Mr James Baker, the Secretary of State, has been a clear benefit.

The two men got to know each other well in their former job as finance ministers. Mr Stoltenberg is seen in the US as a valuable counterweight to Mr Hans-Dietrich Genscher, the Foreign Minister, who is *suspected in Washington of* wanting to go too fast on entente with Moscow.

Mr Stoltenberg, however, has none of Mr Genscher's consummate and sometimes uncomfortable tactical skills.

With Mr Stoltenberg only three days in office, the two men flew to Washington last month to explain Bonn's short-range weapons stance.

The move irritated the Bush administration. Mr Stoltenberg says the atmosphere improved on his "very constructive" second visit a week ago. "We have achieved a narrowing of the differences with some of our allies."

He concedes, however, the lack of agreement on the exact conditions under which short-range missile talks could start. An important factor is the degree of linkage to progress in conventional arms talks, with a stumbling block likely to be the procedures for verifying potential Soviet disarmament steps at Vienna.

Mr Stoltenberg fully supports the government decision to seek negotiations in the not-too-distant future to lower European arsenals of short-range weapons, repeating Mr Kohl's position that whether or not Nato agrees in 1992 to deployment of a successor to the ageing US Lance *missiles* will depend on "political and security developments" in the next few years.

He says: "We see, unchanged in central Europe, great military superiority of the Soviet Union. Modernisation of weapons has also been going forward at a great pace. Mr Gorbachev's announcement of limited disarmament (in troops, tanks and short-range missiles) is welcome — but it has to be put into effect. What we need are deeds as a result of the Vienna conference."

The US and Britain can do business with Mr Stoltenberg. But there are two open questions: how much weight can he bring to bear against Mr Genscher? And will the December 1990 elections confirm the Christian Democrats in power - or usher in the Social Democrats, who want to rid Europe of all nuclear weapons?

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Realignment of centre-right MEPs looks certain

By David Buchan in Strasbourg

A MAJOR re-alignment among centre-right political groups in the new European Parliament to be elected next month looked certain yesterday when Spain's Partido Popular (PP) indicated it will desert its UK Conservative allies and shift *leftward into the Christian* Democrat camp (CD).

Mr Christopher Prout, leader of the British Tories, sought to put a brave face on the Spaniards' impending defection, a direct reflection of the growing isolation of Prime Minister Margaret Thatcher's brand of conservatism in Europe.

The Tory MEP leader hinted he would renew his overtures to the French Gaullists to join the European Democratic Group (EDG). But there seemed little enthusiasm from the Gaullists, who are sharing a Euro-electoral list with ex-President Giscard d'Estaing, a convinced European.

Shorn of the Spanish, the UK Tories will have only three or four Danish conservatives in their EDG group, in a Parliament where power lies with the big transnational groupings. By contrast, UK Labour *MEPs are in the Socialist* Group, which with 166 seats in the outgoing parliament, is the largest single bloc, though centre-right parties, if and when they pull together, can muster a narrow overall majority.

Mr Manuel Fraga, president of the PP, said the formal decision whether to accept the CD invitation to join would be taken on June 19, the day after the European elections in Spain.

He and Mr Prout accepted that the Anglo-Spanish divorce had been made inevitable, once the right-wing Allianza Popular decided to rename itself the PP and last month to put some Spanish CDs on its MEP electoral list, headed by Mr Marcelino Oreja, himself a CD.

Mr Fraga described past cooperation with UK Tories as "exemplary". He had "every *respect for Britain's characteristics as an island*". But the split, though planned by the Spanish for months, culminated on Wednesday night when the PP refused to follow other UK and Danish EDG members in opposing a health and safety measure.

One irritant was an attempted resolution against bull fighting by a Tory MEP, Mr Richard Cottrell, who was yesterday charged with behaviour likely to endanger an aircraft or its passengers' lives, after an incident on a flight to London.

Mr Fraga, a minister in the last Franco government in Spain, said "there were more than just shades of meaning" in his party's differences with the UK Tories over social policy. Accepting the invitation of the European People's Party (EPP), as the Europe-wide CD *grouping is known*, "would bring us closer to other countries, not just one", said Mr Fraga.

Asked if he was concerned about the Francoist associations of some PP leaders, Mr Egon Klepsch, German president of the EPP, said he admired how Spain had moved from authoritarianism to democracy without bloodshed, and that PP leaders have "our highest esteem". Yesterday's announcement marks another step towards full integration of Spain into the European political mainstream, though a move backward for Britain.

The PP leader "had done the right thing" in making his party's intentions known to Spanish voters before next month's electon, said Mr Prout. The UK Tory MEP leader attributed the PP move solely to domestic political considerations, and the desire to form a more effective opposition to Prime Minister Felipe Gonzalez's socialists.

Moving closer to the CDs at a European level meant accommodating the socialists' concerns with which CD parties were in coalition in several EC states, Mr Prout acknowledged. Four political grouping of centre-right MEPS - the EPP, the EDG, the Liberals and the European Democratic Alliance (Gaullists plus Fianna Fail of Ireland) - were too many. A re-alignment should take place in the next Parliament.

Swiss to float Lombard rate

By John Wicks

THE SWISS national bank is to float the official Lombard rate. With effect from today, this will be adjusted daily in keeping with market developments, it was announced in Zurich yesterday.

The Lombard rate, which applies for loans *granted* against securities or other collateral, has been fixed at a seven-year high of 7 per cent since early last month.

Hitherto, Switzerland has generally altered this key interest rate at the same time as an adjustment in the bank rate. The bank rate will, however, now remain unchanged at 4.5 per cent.

In future, the flexible Lombard rate will be announced at 9 am every morning and will *lie 1 per cent above the* average call-money rate of the two preceding days, rounded off to the nearest one-eighth of a per cent.

The national bank has since the start of last year had a declared policy of keeping the Lombard rate above short-term market indicators. This policy is designed to encourage the banks to resort to Lombard credits only when their "state of liquidity is exceptionally tight".

This aim is underlined in yesterday's statement, which says the floating of the Lombard rate is intended to guarantee that such credit is "reserved for the extraordinary requirements of individual banks and not for the general supply of the money market".

To this end, the monetary authority considers it necessary to keep the Lombard rate "substantially" higher than money-market interest levels.

The national bank points out that this differential has in recent months been subject to "marked fluctuations". The introduction of a constant margin will facilitate money-market planning.

This in its turn is seen as improving the control over the banking system's liquidity and aiding the monetary authority to maintain its existence stability policy.

Denmark poised for tax battle

By Hilary Barnes in Copenhagen

DENMARK'S politicians seem to be itching to challenge each other at the polls once more, even though the last Folketing election took place only just a year ago.

The trial of strength will take place over rival plans for reforms of the tax system, which will have an important influence on the shape of one of Europe's most advanced and costly welfare systems.

Prime Minister Poul Schlueter's three-party non-socialist minority coalition is expected to present its plans today. Mr Schlueter has already dubbed the government's plan "the reform of the century," and he would like the plan to be made the subject of a consultative referendum.

The main opposition party, the Social Democratic Party, has already launched its plan.

The rival plans are likely to dominate the campaign for next month's European elections, and the result will be studied carefully for implications for domestic politics.

The government is expected to propose a reduction in the highest rate of income tax from 68 to 53 per cent, financed partly by more user-charges for *public services; a reform of the* unemployment benefit system, with the labour market partners being made to accept a greater share of the cost; and a reduction in the corporate income tax from 50 to 35 per cent, probably financed by broadening the tax base.

The completion of the internal market in 1993 exerts considerable pressure to reduce indirect tax levels which are significantly higher than in the other EC countries, notably West Germany.

These plans will not be feasible unless public expenditure can be stabilised. Mr Schlueter wants to see public-sector employment reduced from 700,000 (almost 30 per cent of total employment) to 600,000.

The Social Democrats do not see the same necessity for reducing either taxes (about 52 per cent of GDP at present) or public expenditure (61 per cent of GDP). Their plan includes the use of collective saving through compulsory pension contributions, which will be channelled to trade union-controlled investment funds. This, they say, is the best way to make money available for industrial regeneration.

They, too, want a reduction in corporate income tax (to 36 *per cent) and a broadened tax* base, but they want to maintain a steeper progressive income tax.

However, they will mask this as far as the wage-earner is concerned by introducing a tax of 25 per cent of gross income (including now-exempt pension contributions), which means that the basic income tax rate on net income can be reduced from 50 to 36 per cent. From the point of view of the employer, on the other hand, the basic tax rate on wage and salary costs will remain 50 per cent and the highest rate 68 per cent.

The Social Democrats stole a march on the government by publishing their proposals at the end of April, and they have seen some rise in the opinion poll support since.

They think that events are moving their way now and that user-charges and cuts in public expenditure will prove unpopular, while economic developments are playing into their hands. There has been no increase in the gross domestic product since 1986, when balance of payments problems forced the government to impose a fiscal squeeze, and recent forecasts suggest there will be little or no growth in *1989 and 1990. Unemployment* is about 9.5 per cent and rising.

Industrialist laments 'paralysis' in Italy

By John Wyles in Rome

MR Sergio Pininfarina, company chairman, former Euro MP and currently top spokesman for Italian industry, yesterday lamented the country's political crisis and added *his voice to widespread calls* for a reform of Italy's political institutions.

Addressing the annual assembly of Confindustria, the main organisation of Italian industrialists of which he is president, Mr Pininfarina said there was a "decision-making crisis" involving all levels from local government to parliament, and even the government itself.

"Big decisions are paralysed and there is no brake on the *decline of local government* and of the basic functions of the state, such as justice, health and schools."

He was describing a situation when there is nominally a government in office. Since the resignation on Friday of the coalition led by Christian Democrat Mr Ciriaco De Mita, most government activity has been brought to a halt, including parliamentary discussion of legislation ranging from an anti-trust bill to *measures accompanying* the 1988 budget.

This paralysis will continue until after the European elections on June 18, even though President Francesco Cossiga is expected today to ask Mr De Mita to try to form a new government.

This could be a largely time-killing exercise since, although the next coalition will be made up of the same five parties as the outgoing one, none wants to make any real commitments until they have seen the election results.

Mr Pininfarina's call for institutional reform drew support from Mr Gianni Agnelli, Fiat president and Mr Carlo De Benedetti, Olivetti president.

The Confindustria president recited a long list of failures by government and parliament and a complaint against party placemen in both the bureaucracy and public institutions.

He complained that efforts to curb the budget deficit had largely focused on raising revenue rather than cutting spending. The growing trade deficit confirmed that Italian industry was losing competitiveness, not least because of pay demands which, allied to higher social payments, were pushing up the cost of labour this year by 10 per cent.

Prague helps to defuse tension over dam project

By Leslie Colitt in Berlin

CZECHOSLOVAKIA has agreed to allow a joint commission with Hungary to investigate the environmental impact of a controversial dam project on the Danube which the Hungarian Government ordered suspended earlier this month.

Prague's willingness to co-operate was signalled after a meeting on Wednesday between the Hungarian Prime Minister, Mr Miklos Nemeth, and Mr Ladislav Adamec, the Czechoslovak Prime Minister.

Mr Adamec said that if new *evidence arose of a serious* threat to the environment then Czechoslovakia would not oppose a "review" of the project. Experts under the deputy prime ministers of the two countries are to launch an investigation. Czechoslovakia lodged an official protest after Hungary said it was suspending work on its dam at Nagymaros. Prague also indicated it would present claims for damage of up to $500m.

Relations between the two countries deteriorated sharply recently as a result of tensions over the dam.

France pushes ahead on debt forgiveness

By George Graham in Paris

PRESIDENT François Mitterrand's decision to forgive the government debts to France of 35 of the poorest countries in Africa has moved Western initiatives to help low-income debtor nations into a higher gear.

The write-off applies only to government development credits, not to trade credits guaranteed by the French state organisation Coface, and covers, therefore, some FFr16bn (£1.48bn) of the 35 countries' total debt to France.

Mr Mitterrand's gesture is unconditional, however, and is more substantial than the debt write-offs decided in 1987 by Canada, and last year, for a limited number of countries, by West Germany.

The countries range from Sao Tomé, with a national income of $114 per capita in 1987, to Botswana, with $1,030 per capita. French officials said equally poor countries in Asia or Latin America had not been included because France was in general not a major creditor.

Trade credits will continue to be covered by the agreement of the Group of Seven industrial countries at Toronto last year to write off a third of the debts of *poor countries*, or else to cut interest rates or reschedule over very long periods.

Mr Mitterrand plans to renew France's initiative for middle income debtor countries at the G7 summit meeting in Paris in July. His proposals, detailed at the United Nations last September, are similar to the plan of US Treasury Secretary Nicholas Brady, but go further in suggesting the transformation of developing country debt into securities backed by a multilateral guarantee fund.

France would like this fund to be financed by a new issue *of Special Drawing Rights* (SDRs), the currency basket used by the International Monetary Fund.

The French proposals were rejected at the time by the UK and West Germany, but Mr Pierre Bérégovoy, France's Finance Minister, said yesterday that the two countries had "evolved positively" since then.

The African debt forgiveness will require parliamentary approval, and is expected to cost around FFr1bn in France's 1990 budget. The FFr16bn will figure progressively in budgets *for around ten years more.*

FOCUS SHIFTS TO RELIGIOUS GROUPS WHICH SHELTERED TOUVIER

French collaborator charged with crimes against humanity

By George Graham in Paris and Paul Abrahams in London

MR Paul Touvier, one of France's last wanted war criminals, was charged yesterday on four counts of crimes *against humanity, following* his arrest on Wednesday after 40 years on the run.

Already, however, attention is turning away from Mr Touvier himself - a leader of the paramilitary Milice which collaborated with the Gestapo secret police during the Nazi occupation of France - and onto the branches of the Catholic Church which have sheltered him. "The Church on trial", was the headline in yesterday's edition of Le Monde, the leading French daily.

The mainstream church has been able to duck most direct criticism: the monastery in which Mr Touvier was arrested belongs to the traditionalist "Priestly community of St Pius X", headed by Mr Marcel Lefebvre, the defender of the Latin mass excommunicated *last year for his defiance of* papal authority. "The question is not in my domain," commented Cardinal Albert Decourtray, archbishop of Lyon and primate of France.

Also accused of harbouring Mr Touvier, however, is a small lay group, the Order of Knights of Our Lady, which does come under the sway of the orthodox Catholic Church.

Grouping some 400 members, mostly in France, the order was founded immediately after the War and numbers among its aims prayer, the search for saintliness, and charity. Mr *Frederic Dubois, head of the* Knights, said yesterday that it was farcical to link his order to Mr Touvier. However, police searched a number of monasteries linked to the order in the immediate run-up to the former *Milice leader's arrest*, questioning at length Mr Jean-Pierre Lefèvre, one of the heads of the Paris branch of the Knights.

Even without this link, senior mainstream Churchmen were directly responsible for harbouring Mr Touvier after the war, in the twenty years before the death penalties pronounced in his absence expired. His identity papers gave as an address the archbishop's palace at Lyon, and it was Mr Charles Duquaire, auxiliary bishop of Lyon, along with Catholic philosopher Gabriel Marcel, who led the campaign for his pardon.

The question of why these elements in the Catholic Church were prepared to protect Mr Touvier is already attracting considerable attention, and *looks set to divide* French opinion along the traditional lines of left and right, Catholic and secular, which have dogged the country since the 1789 Revolution.

The most popular explanation has been that Mr Touvier was able to blackmail the Church with evidence he possessed of its collaboration during the Occupation. A more colourful version of this theory suggests that he bought his protection with the treasure acquired by the Milice from its victims. More charitably, politicians like Mr Charles Pasqua, *the Gaullist former minister*, suggest that the Church was following its tradition of offering sanctuary.

Mr Pierre Merindol, the Lyon historian, adds that Mr Touvier had won his protection by saving from execution, at the request of the then archbishop, a group of hostages.

However, a broader explanation can be found in the events leading up to the liberation of France in 1944. Foremost among the Milice's objectives was to protect France from communist revolution. Such a revolution was widely expected in the months leading up to the liberation.

This was because the Vichy Government had failed to manage the economy effectively and let the black market escape its control. Given the potential for revolution, former members of the Milice have argued that by fighting against the communist-led sections of the resistance, they so seriously weakened them that they were unable to seize power.

Christian humanism will also have played a role in the decision of these Catholic circles to protect Touvier. After the liberation, the handling of captured members of the Milice by the Resistance was often summary. In *Haute-Savoie*, where Touvier was a member, 76 Miliciens were executed after a trial lasting less than a day.

Touvier's trial could prove far more divisive than that of Klaus Barbie. Frances wartime experience still remains a sensitive subject — most of the academic research on the period has come from Anglo-American scholars rather than French.

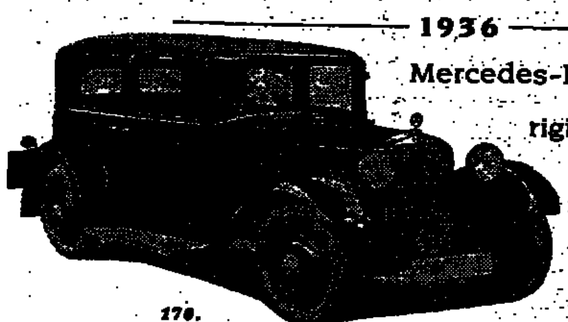
Over the years no one has done more for safety than Mercedes-Benz

1931

Independent front suspension developed to allow each wheel to follow road surface contours unhindered by the movements of the other front wheel for greater stability, comfort and improved steering control.

It is subsequently adopted, almost universally, by other manufacturers.

1936



170.
1931–1936

Mercedes-Benz develop the rigid-frame floor pan, three - section collapsible safety steering column and strong side-impact protection.

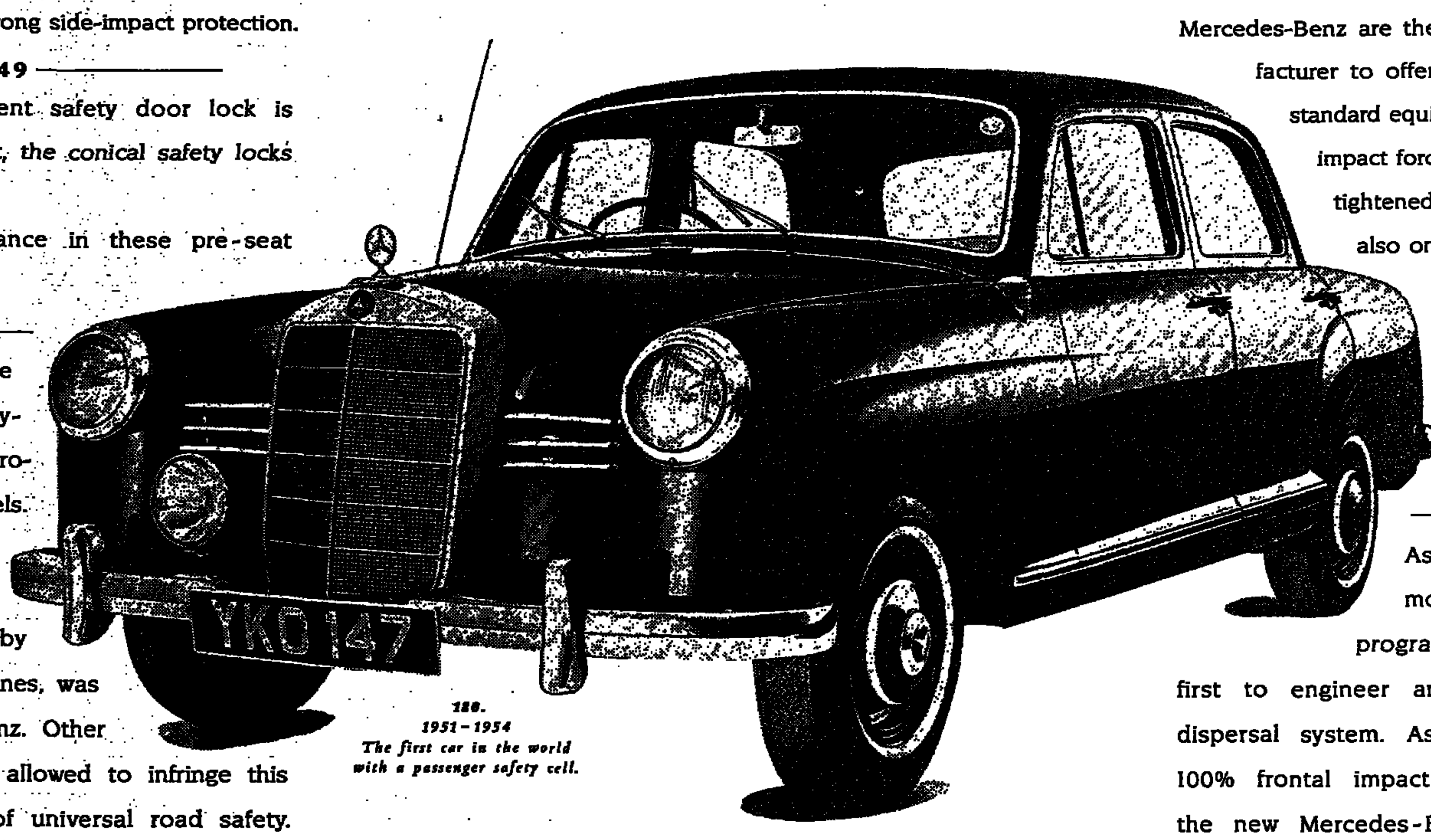
1949

The Mercedes-Benz patent safety door lock is introduced. In an accident, the conical safety locks cannot burst open or jam.

An important advance in these pre-seat belt days.

1951

Mercedes-Benz develop the world's first safety body-shell. Later to go into production in the 180 models. The now standard practice of placing passengers in a rigid cell protected by front and rear crumple zones, was patented by Mercedes-Benz. Other manufacturers have been allowed to infringe this patent in the interests of universal road safety.



180.
1951–1954
The first car in the world with a passenger safety cell.

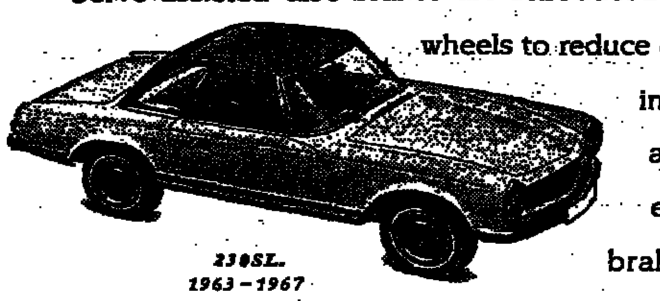
1959

First systematic crash and roll-over test programme. In one year 80 cars are destroyed so that safety problems can be more thoroughly investigated.

Mercedes-Benz introduce the first production cars to be equipped with padded interior surfaces and flexible components for additional safety: large, padded steering wheel boss; a padded, yielding dashboard; flexible control switches and levers; padded sun visors, window sills and arm rests; flexible window handles; recessed door handles; rear-view mirror that detaches on impact.

1961

Servo-assisted disc brakes are introduced on all four wheels to reduce driver effort in everyday as well as emergency braking.



230SL.
1963–1967

1967

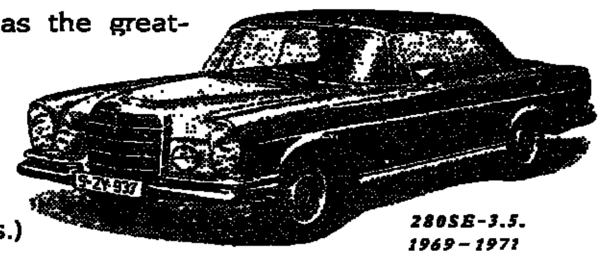
Mercedes-Benz safety steering assembly. It yields progressively on impact to reduce the possibility of driver injury. The main advantages are: a large padded steering wheel boss, impact absorber, collapsible telescopic steering column and a steering box sited well behind the front suspension.

1968

Front head-restraints are introduced to lessen the risk of 'whip-lash' neck injuries.

1970

Announcement of the anti-lock braking system (ABS) which prevents the wheels locking under emergency braking. The vehicle does not break away and can still be steered around obstacles. (The principle is now accepted as the greatest advance in braking since the invention of disc brakes.)



280SE-3.5.
1969–1971

1973

Front seatbelts and head restraints become standard equipment on all Mercedes-Benz cars.

1979

ABS is introduced on production models. Seatbelts are made standard fitting on all four seats (in advance of U.K. legislation).

1981

Mercedes-Benz are the first and still the only manufacturer to offer automatic belt-tensioners as standard equipment (above a pre-determined impact force, the seat-belt is electronically tightened in milliseconds). The airbag is also on offer for the first time (stowed in the steering wheel boss, it inflates in 25 milliseconds on serious impact, to cushion the driver's head and chest).

1983

As a result of the industry's most exhaustive crash testing programme, Mercedes-Benz are first to engineer an improved impact energy dispersal system. As well as coping with the 100% frontal impact, demanded by legislation, the new Mercedes-Benz design directs impact energy away from the car's occupants in the event of off-set frontal collisions.

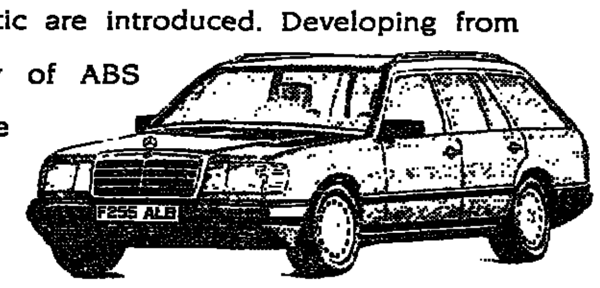
Mercedes-Benz develop brake and clutch pedals that swing away from the driver's feet in the event of a major accident.

1987

ASD (automatic locking differential) is introduced. Under conditions where traction varies between the right and left driven wheels, causing one to spin uselessly, the ASD system automatically transfers power to the wheel with better traction. The device is designed to operate at speeds up to approximately 19 mph, to aid initial acceleration and manoeuvrability in difficult conditions. However, the ASD warning light alerts the driver to poor traction conditions regardless of vehicle speed.

1988

ASR and 4-Matic are introduced. Developing from the technology of ABS and ASD, these systems give the driver additional support in hazardous road conditions. ASR (acceleration skid control) electronically monitors wheel speed and automatically applies the brake and adjusts the throttle opening so the driving wheels cannot lose their grip under hard acceleration. 4-Matic (automatically engaging four-wheel drive) electronically monitors wheel slip and steering angle, progressively bringing in front wheel drive, a locking front to rear differential and finally, a rear differential lock as conditions dictate.



300TE 4-MATIC. 1988

ENGINEERED LIKE NO OTHER CAR IN THE WORLD.

OVERSEAS NEWS

Mengistu replaces military command

PRESIDENT Mengistu Haile Mariam of Ethiopia has replaced his entire military high command, tightening his grip on the rebellious armed forces after last week's attempted coup d'etat, Reuter reports from Addis Ababa.

He named a new armed forces chief of staff and commanders of the army, navy, air force and police, state radio announced on Wednesday.

President Mengistu also replaced the general who had been leading the 28-year-old war against secessionist rebels in the strategic Red Sea province of Eritrea and was killed by loyalist soldiers when the coup was put down.

The new chief of staff and the army and navy commanders are drawn from among President Mengistu's trusted comrades-in-arms from the 1974 revolution which overthrew Emperor Haile Selassie although none has been on active duty for 15 years. "It is highly significant that no deputies were named to these positions... Mengistu wants men he can trust," a Western diplomat said in Nairobi.

Maj-Gen Merid Negusie, former chief of staff, and Maj-Gen Amha Desta, air force commander, were killed by loyalist troops shortly after the start of the coup attempt last week.

President Mengistu named Mr Adis Tedla, the deputy Prime Minister, armed forces chief of staff with the rank of lieutenant general. Mr Adis was an air force major in 1974 when he and President Mengistu were members of the *Dergue* which overthrew Haile Selassie, but since then he has concentrated on economic planning. Mr Embibel Ayele, the new army commander, had been Secretary of the State Council. He was an army colonel in 1974 but since then has been mainly involved in the Workers Party of Ethiopia.

Mr Yehuwalashet Girma, the new navy commander, was first secretary of the ruling party in Addis Ababa, having previously served as minister for coffee and tea development.

The coup started within hours of President Mengistu's departure on May 16 for a state visit to East Germany and coup supporters seized control of the Eritrean provincial capital, Asmara.

Mengistu's Soviet links weaken

Moscow will take a tougher line on aid, Dr Robert Patman writes

THE aftermath of an abortive attempt to oust President Mengistu in Ethiopia by a number of high-ranking officers has clarified that strained relations between his Marxist régime and its main backer, the Soviet Union, look set to deteriorate.

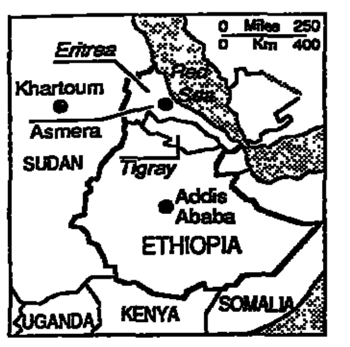
Moscow's impatience over slow economic reform in Ethiopia, and Col Mengistu's pursuit of military solution to the Tigray and Eritrea conflicts, will be reflected in tougher terms for supplying arms and aid.

The Soviet-Ethiopian alliance was forged during the Brezhnev era. In 1977-78, the Soviet Union and Cuba rescued the Mengistu government by intervening in the Ogaden war against Somalia, a former Soviet ally.

In November 1978, the Soviet-Ethiopian relationship was sealed by a 20-year Treaty of Friendship and Co-operation. In the next 10 years, Moscow supplied Addis Ababa with about $7bn in military aid. This commitment enabled Mengistu to contain the Western Somalia Liberation Front, which lays claim to Ethiopia's Ogaden region, and pursue a military solution to the challenge of the Eritrean People's Liberation Front and the Tigray People's Liberation Front in the north.

But Soviet policy in the Horn of Africa has changed under Mr Gorbachev. Emphasis has been placed on the political resolution of Ethiopia's conflicts. Moscow resumed dialogue with Somalia, Addis Ababa's old adversary, and indicated it was not ready to underwrite Ethiopia's growing military needs indefinitely.

According to one intelligence official, the $2bn arms agreement of November 1987 is not expected to extend beyond 1991. While Moscow donated 250,000 tons of grain during the Ethiopian famine of 1987-1988, Soviet reformers criticised Mengistu's rigidly centralised agricultural policies for contributing to the food crisis.



Despite Soviet pressure, Mengistu did not compromise in talks with Somalia until forced. In March 1988, three Ethiopian divisions were routed by the EPLF in Eritrea. Two Soviet military advisers were captured. Desperate to redeploy Ethiopian troops from the Somali border to the battle zones in Eritrea and Tigray, Mengistu made peace with Somalia.

His demand that Somalia abandon its claim to the Ogaden was dropped. The Ethiopian-Somali accord of April 1988 restored relations between the two countries, being hailed in Moscow as a triumph of the "new political thinking". The Soviet Union stepped up efforts to secure a negotiated settlement in northern Ethiopia.

In January 1989, Mr Viktor Chebrikov, a Soviet Politburo member, told Mengistu Moscow "favoured a just political resolution of this problem within the framework of a multi-national Ethiopian state". Further talks came to nothing.

Meanwhile, the EPLF and the TPLF, in a joint operation, inflicted a crushing defeat on the Ethiopian army in Tigray Province. By March, the Ethiopian army had been virtually eliminated from the two trouble spots.

Mengistu remained defiant. He rejected perestroika and glasnost in Ethiopia, and made it plain the Soviet Union had an obligation to help him crush the "terrorists" in the north.

For Mr Gorbachev and his supporters, the crumbling Mengistu régime is an embarrassment. Galina Krylova, a Soviet specialist on Ethiopia, said recently that Addis Ababa's treatment of the separatists as "hirelings of world imperialism", and its hopes for a military destruction of these movements, hardly improved peace prospects.

Many Soviet conservatives back the Mengistu line, partly concerned that success for the EPLF and TPLF would prejudice Moscow's strategic interests in Ethiopia. The Soviet Union has about 1,200 military advisers there; its Navy enjoys access to anchorage facilities off Massawa.

This presumably has not escaped Mr Gorbachev's attention. He is probably aware the US would like a comeback in Ethiopia. From May 1953 to April 1977, Washington and Addis Ababa were linked by a military agreement whereby the US obtained access to a communications station near Asmara, the Eritrean capital, in return for arming Ethiopia's army.

Despite the decline in US-Ethiopian ties, the US has been careful to avoid associating with separatist movements in Ethiopia. Further, Washington only kept a lukewarm relationship with Somalia. It is unlikely Moscow was surprised by the coup attempt in Ethiopia.

A Soviet writer has warned Mengistu's "authoritarian" rule contained "a highly explosive time-bomb". After the coup effort, Moscow Radio reaffirmed support for Mengistu's government but drew a lesson: "It is a curious fact that both the generals (Major-General Merid Negussie, Chief of Staff of the Armed Forces, and Major-General Amha Desta, Air Force Commander, killed in the coup attempt) ... had served in the government troops of Eritrea".

Clearly, Soviet pressure for a northern Ethiopia settlement is unlikely to relent.

Dr Robert Patman is author of The Soviet Union in the Horn of Africa: Diplomacy of Intervention and Disengagement. To be published by Cambridge University Press.

WORLD TRADE NEWS

Japanese greet surging dollar with equanimity

Robert Thomson and Ian Rodger find companies taking a long term view of currency movements

THE RECENT strength of the US dollar is providing an unexpected profit surge for Japanese exporters, but it is also causing importers, many of whom have been stepping up their sales efforts in the booming Japanese market, to wince.

"It bothers me very much," Mr Luciano Cohen, president of PMC, an importer of several West European food, clothing and furniture lines, said. "Even the Italian lira has strengthened against the yen. Because the margins on many of our imports are relatively low we have to consider raising prices," he said.

Most traders, both exporters and importers, believe the dollar's strength is a temporary aberration and so they are not yet taking any strategic decisions based on it. In particular, Japanese companies are not boosting export volumes or curtailing efforts to build up overseas production.

"Our commitment to offshore manufacturing is irreversible. We have a long term plan, and it will not be affected by these foreign currency fluctuations," Mr Toshiaki Yasuda, general manager of Nissan Motor's international division, said.

Even if some companies were tempted to exploit the situation, they would soon be put straight by the mighty Ministry of International Trade and Industry (Miti). A Miti official said this week he was confident that companies "will not do anything to hurt the image" of the country at a time of troubled trade relations.

However, the official also acknowledged that exporters were pulling in "windfall profits" as a result of the dollar's rise. Most companies had assumed that the dollar would droop to Y120 or even less this year rather than rising to the Y140 range. Nissan, for example, has been operating on the assumption of a rate of Y120 to the dollar and "anything above that is extra profit in foreign exchange gain," Mr Yasuda said.

Toyota Motor calculated last year that each Y1 drop in the value of the dollar would cost it Y5bn in profits. Now that the dollar is pointed in the other direction, a company official agreed that foreign exchange movements were having "a positive effect on export operations".

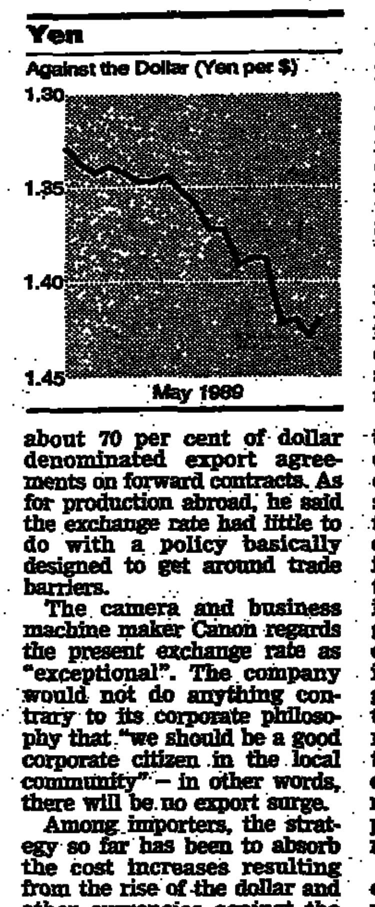
Toshiba said the effects of the dollar's rise would probably not be felt fully until later in the year as the electrical machinery manufacturer had about 70 per cent of dollar denominated export agreements on forward contracts. As for production abroad, he said the exchange rate had little to do with a policy basically designed to get around trade barriers.

The camera and business machine maker Canon regards the present exchange rate as "exceptional". The company would not do anything contrary to its corporate philosophy that "we should be a good corporate citizen in the local community" – in other words, there will be no export surge.

Among importers, the strategy so far has been to absorb the cost increases resulting from the rise of the dollar and other currencies against the yen, even if in some cases they are considerable. Hardest hit are those importing international commodities that are quoted in dollars.

"We are taking a wait-and-see attitude," Mr Joel Hakim, president of Pechiney Japon, the subsidiary of the French aluminium group, said. Pechiney imports mainly aluminium semi-manufactured products, which are quoted in dollars.

Mr A.F.O Jost, senior vice-president of Nestlé Japan, said: "Our margins are definitely being squeezed." Nestlé's Nescafe is the Japanese market leader in instant coffee.



United Distillers, the UK drinks group, imports mainly Scotch whisky from the UK, and the yen-sterling rate has not moved much lately, but it also has a large business in Japan in bourbon imported from the US. "At Y140 to the dollar, we are fairly concerned, and would be nervous if it continued for a long time," Mr Stewart Fletcher, finance director of UDG (Japan) said.

The importers are sceptical that the dollar's strength will last. "My own view is that the fundamental situation has not changed, so I do not understand the upward movement of the dollar," Mr Jost said.

All importers are very reluctant to raise prices. In some cases, this is because of intense competition with Japanese suppliers, in others because of the ill will it engenders among distributors. However, some importers are better placed than others to absorb the increases. Suppliers of luxury goods, such as top-of-the line cars and clothes and speciality items usually have high margins. UDG, for example, would try to hold out for several months if not a year rather than disrupt a carefully set pricing policy. Nestlé would be reluctant to raise instant coffee prices in advance of the summer gift season.

Others have hedged against currency losses in the forward market and so are not hurting yet. "We are giving it until the end of June," Mr Cohen said.

Attack on trade barriers will set US on path of conflict

By Nancy Dunne in Washington

RELEASE of the US "hit list" of countries selected for trade retaliation under the much-feared "Super 301" provision of the 1988 Trade Act – to be announced by President Bush today – will set the US on a path of confrontation.

The US attack on foreign trade barriers seems motivated by the possibility of market gains, outweighing concerns over possible harm to the multilateral trading system.

The dangers are well understood, but to many in Congress, the strategy to gain reciprocal market access is the only alternative to protectionism.

Mr William Archey, Vice-President, International, of the US Chamber of Commerce, believes the next six months to one year will bring the realisation "we are entering a period of global adversarial trade among the major trading blocs.

"It is going to require assertiveness on the part of the government to get reciprocity. Japan, for example, is not going to be able to assert that 'this is our culture.' That isn't going to play any more."

The Bush Administration, aware of the dangers of Super 301 – the "insult" to trade partners labelled "unfair traders" – apparently lacks an alternative strategy.

Under Super 301, the US market has become the carrot to bring down trade barriers; its potential loss is the stick. No retaliation will occur for at least a year, and the Administration has the flexibility not to act unless a trade pact is found to have been violated.

The Super 301 process has achieved one notable success: a promise of market openings by Korea to agriculture products, foreign travel, pharmaceuticals and cosmetics, with a pledge to liberalise foreign investment. Korea is believed no longer a candidate for the list. But failing follow-through, the Administration will have to retaliate.

Mrs Hills will now embark on a process which could last for five years. In the first, she will start investigations and consultations with affected domestic industries and foreign governments. A year from now, she can name still other candidates for Super 301.

In the first year, she will seek to negotiate pacts providing for elimination of offending practices or trade barriers, or compensation within three years. If agreement is reached, the investigation will be suspended and annual reports submitted to Congress on progress to eliminating the practice.

The Trade Representative will not determine if the offending trade practice is unfair for at least a year. If it is found unfair and negotiations fail, Mrs Hills can decide what retaliatory action to take.

She has pledged to act within world trading rules as much as possible, but few of the offending practices are covered by Gatt. If investigations involve a violation of the Gatt or other trade agreement, Mrs Hills must request any dispute settlement proceedings available.

The statute deadline requirements are likely to be tighter than under Gatt, so at some point Mrs Hills could be faced with a choice of complying with US law or acting outside Gatt.

The unfairness and retaliations determinations in trade agreement investigations must be made either 30 days after the dispute settlement proceedings end, or 18 months after initiating the investigation, whichever is earlier. Where a trade agreement is violated, the Mrs Hills must retaliate unless specific statutory exceptions apply.

Lebanon confirms trade deal with Iraq worth $100m

By Lara Marlowe in Beirut

DETAILS of a Lebanese-Iraqi draft trade agreement worth $100m have been confirmed by Brigadier Issam Abou-Jamra, the minister of the economy and commerce in General Michel Aoun's Lebanese Christian transition government.

The agreement involves 35 different categories of agricultural and industrial products, but Lebanese officials insist it does not include Iraqi arms supplies to Christian forces in Lebanon, which are given free of charge.

A Christian Lebanese Foreign Ministry official who helped draw up the agreement, said he believes Iraq signed the preliminary accord primarily to annoy their Syrian antagonists, who have been fighting Gen Aoun since March.

The Iraqi minister of finance, Mr Hikmat Omar Moukhallef, and Brigadier Abou-Jamra signed the draft agreement in Baghdad at the end of March, although details have only just been released in Beirut.

The Lebanese Foreign Ministry official, however, regretted that the Iraqis have postponed implementation of a fuel-for-goods barter clause in the agreement.

Furthermore, the official said, the Iraqi government is hindering the export of Lebanese goods to Iraq by stipulating that letters of credit guaranteed by the Iraqi Rafidain bank must be drawn on accounts outside Iraq.

Until the Gulf War, Iraq was the second largest importer of Lebanese goods, after Saudi Arabia, and Lebanese industrialists are eager to re-enter the Iraqi market.

Iraq is to export $50m of goods to Lebanon and vice versa.

The largest category of Iraqi goods is $10m worth of veterinary medicine, followed by $5m worth of rice. Among Lebanese exports will be $10m worth of construction materials to Iraq, $4m worth of shoes and handbags, and $4m worth of electrical wires and fuse boxes. The accord offers Iraqi importers a delay in payment of 18 months from the time of shipment, at an interest rate not to exceed 5 per cent, while Iraq will reduce import duty on Lebanese goods on a reciprocal basis.

The Lebanese commercial centre is to reopen in Baghdad by the end of July and, "circumstances permitting," an Iraqi commercial centre will be opened in east Beirut. A Lebanese trade fair is to be held in Baghdad in mid-June for the direct sale of Lebanese products in Iraqi dinars.

The agreement foresees a series of exchanges of delegations, information, and statistics, but notes that, "the Iraqi party reserves the right to suspend relations or to refuse to deal with Lebanese industrial or banking concerns that maintain relations with Israel."

Iraq is to export $50m of goods to Lebanon and vice versa. The largest category of Iraqi goods is $10m worth of veterinary medicine, followed by $5m worth of rice and, in ammounts ranging from $400 to $600,000, dates, molasses, oil of anise seeds, cooking oil, batteries, and floor coverings.

Of the Iraqi exports $20m are listed under "miscellaneous."

Iveco buys stake in Turkish lorry maker

By John Wyles in Rome

IVECO, Fiat's van and truck subsidiary, has taken a 27 per cent stake in Turkey's leading commercial vehicle manufacturer, Koc, together with a managerial role in its product development.

The shareholding has been purchased in two Koc subsidiaries, Otoyol Pazarlama and Otoyol Sanayi, which already produce Iveco's small and medium vehicles under licence and hold more than 50 per cent of the domestic market for commercial vehicles above 3.5 tonnes.

The agreement follows swiftly on a production and licensing joint venture with the Yugoslav producer, TAM, and forms part of Iveco's strategy for penetrating smaller European markets with good growth potential.

Iveco said yesterday the agreement would enable the two Turkish companies to renew and widen their product ranges "taking advantage of Iveco's more advanced technology and planning capacity." Iveco managers would be taking responsibilities within the Turkish companies.

Koc is Turkey's biggest industrial group with sales last year of $5.36bn from activities ranging from domestic appliances to tourism.

Steel plant order

Mannesmann Demag, the plant building subsidiary of West German engineering group Mannesmann, has just won a DM 200m order to build an innovative hot strip steel plant for Italian special steel maker Finarvedi, writes David Goodhart in Bonn.

The plant, which should be completed by 1991, will have a capacity for 500,000 tonnes a year. Mannesmann claims that the new design features of the Finarvedi plant should reduce production costs by up to 50 per cent.

Fishing for peace

THE US and Canada are to set up a panel to resolve a long-standing dispute over Pacific coast salmon and herring, writes David Owen in Toronto.

The panel will be the first of its kind to be established since the start of the US-Canada free trade agreement in January.

The dispute revolves around Canadian requirements that fish caught by Americans in Canadian waters be landed and sampled in Canada before export for processing in the US.

Young predicts rise in overseas EC investment

LORD YOUNG, Britain's Trade and Industry Secretary, said yesterday overseas investment by European Community (EC) companies would increase when the EC became more integrated after 1992, AP-DJ reports from New York.

Lord Young noted that for the past seven or eight years, the UK and Japan had led the world in overseas investment. "We see that as a part of global integration, and we would like to encourage that" after 1992, he said.

He was speaking at a news conference in New York before a University of South Carolina panel discussion on the prospects of US companies in Europe after EC integration.

Mr William Brock, former US trade representative and labor secretary, disagreed with Lord Young's assessment, saying that after integration in 1992, it was likely that the tendency would grow for EC companies to stay within the Common Market.

As trade barriers within Europe fell, companies would be more likely to move their operations within the EC rather than abroad.

US concerned over uranium

THE Soviet Union is increasing sales of enriched uranium to US nuclear power plants and is "not playing fairly" in the global market, Mr Henson Moore, deputy energy secretary, said yesterday, AP reports from Washington.

The Soviet Union now had 8 per cent of the US market for enriched uranium, which is used as a fuel for civilian nuclear power plants.

"There are plans for them to move even more aggressively to take even more of our market right out from under our noses," Mr Moore said at a news conference at which House members unveiled a bill aimed at revitalizing US sales of enriched uranium.

The Bush administration had helped draft the bill, which would tranform the Energy Department's enriched uranium operations into a government corporation.

Spain's corporate decision makers

Discovering their nerve

Peter Bruce begins a three-part series which examines the new professionalism of the country's management

Eighteen months ago Javier Balleste had a perfectly good job as a senior financial manager in the headquarters of Spain's big state-owned industrial holding company, the Instituto Nacional de Industria (INI). He had worked abroad and would probably have risen to higher things.

A quiet, unassuming man who looks a lot like Seve Ballesteros, the golfer, he would probably not relish descriptions that place him in the vanguard of a renaissance in the quality and confidence of Spanish management. But he is.

In January last year, in recognition of his abilities, INI asked him to set up an operation designed to study the privatisation of state companies. He was probably enjoying himself when a strange thing happened to him.

For some time he had been rather distractedly following the travails of a small family-owned flexible paper producer, called Araxes, in the Basque Country. This was largely because his wife, a family member, owned 15 per cent of its stock. Despite sales of Pta 3bn (£15m) a year and important customers like Nestlé and the Corte Ingles department store chain, Araxes was in trouble and had applied for protection from its creditors. Prodded by his wife, he agreed to spend his August holiday going through its books.

He never made it back to Madrid and INI. Having presented the chairman with a set of recommendations and the view that Araxes did indeed have a future, he was quickly put upon to stay. "I told him that I would work for myself, take the risks for myself and also the profits for myself," says Balleste.

The chairman and other big shareholders agreed and Balleste is now chief executive of the company. His wife is non-executive chairman and they have taken out options to buy another 58 per cent of the company (at a very good price for themselves). With the company once again making money its protection from creditors will be lifted next month.

Balleste has done nothing extraordinary. "There has been no magic," he says. "When I came here no one knew what the cost structure of our products was." He introduced cost analysis, bought the company's first computers, "and once we knew what our costs really were we simply learned that in certain products we were competitive and in others we were not."

Output of non-profitable products has been drastically cut, and unions have agreed to corresponding lay-offs. The new chief executive is also trying to improve on the company's ability to serve domestic clients rapidly with small volumes as a way – not uncommon in the Spanish paper industry – of fending off bigger competitors from France, West Germany and the UK. "We can't compete with them in terms of cost, but we can compete in terms of service," he says.

Balleste's story is an object lesson to anyone who thinks management in Spanish manufacturing or service industry is going to be a pushover after European Community markets are liberalised. After taking fright initially at the wave of multinational investment in Spanish industry and financial services since Spain joined the EC in 1986, local managers are beginning to recover their nerve. "They are discovering that they are just as good as their competitors," says a leading Madrid consultant.

If anything, it is the hundreds of small and medium-sized family businesses where much of the country's new blood should be able to cut its teeth.

With notable exceptions like the oil group, Repsol, large quoted companies still suffer under autocratic leaders who rule with rods of iron. "You tend to find very good people in the middle," says Rafael Cerezo, director of Boston Consulting Group's Spanish operations but, adds a colleague, "the Cult of the Boss still rules. There are not a lot of points to be gained in a traditional Spanish company by sticking your neck out."

But, just as the entry into Spain of major international financial institutions has provided the country with a small but growing core of innovative investment bankers, brokers and analysts, so the presence of multinational manufacturers may do the same for industry.

But what industry? Excluding Telefonica and the electricity utilities, financial institutions account for nearly 70 per cent of market capitalisation on the Spanish bourses. According to the Bank of Spain, only 13 per cent of the country's biggest 500 industrial companies are quoted.

The rest either belong to the state or are in private, mainly family, hands; there are some real jewels among them.

Camp, based in Barcelona, is possibly the world's biggest privately owned detergent producer. Chupa-Chups, also Catalan, is the world's largest producer of lollipops, with sales in 1987 of Pta 20bn, 80 per cent of which were in exports. Pascual Hermanos, the country's biggest citrus exporter, has been (partly) snapped up by Carlo de Benedetti and has made a modest stock flotation. Arotz, recently acquired by Ebro, the sugar group, is one of the world's largest producers of black truffles, practically all of which it exports at almost shameful mark-ups.

Companies hidden from view by virtue of the fact that they are (or were) not quoted, may be harder for marauding multinationals to find and buy but even without constantly being hunted by predators, generational changes and the challenge of the single market in Europe scheduled for 1992 is straining management in successful family companies.

A struggle for power between old and young Camp family generations has hurt the business and investment bankers say numerous acquisitions have fallen foul of family members squabbling over price or over the merits of bringing outsiders into management.

The successful family businesses tend to hide, anyway, the hundreds of others who simply try to get by – like Araxes was doing – on a few good products in what used to be highly protected or (for foreigners) uninteresting markets. "There is an enormous lack of management skills in small companies," says Manuel Balmaseda, Hay Consulting's director in Spain.

Life used to be comfortable and "in most sectors you could be successful simply by not doing too many foolish things." Now, says BCG's Cerezo, "if they want to grow they have got to hire people from outside (the family)."

It is dawning on this sector – the Spanish equivalent of the West German Mittelstand – that it may need help. Management consultants, particularly those like Price Waterhouse or Arthur Anderson with auditing operations, report a growing number of approaches from small family clients once too proud to ask anyone's advice.

In most cases, says Hay's Balmaseda, the family managers already know what they want to do but don't know how to get there. "We Spanish are good at grasping concepts," confirms another senior Madrid consultant, "but we are very bad at execution."

That applies, probably, to the entire range of management in Spain, from small to large corporations. Analysts like Cerezo believe that as the pace of business in Spain speeds up, managers find themselves trapped by a way of life that remains quite inefficient. (Indeed, the Spanish word for business negocios could literally be broken down to mean 'negation of pleasure'.)

"Spanish managers are having to move faster than their support systems," says Cerezo. Traditions like long lunches, endless public holidays, the almost complete loss of secretarial help during the summer when Spaniards work *horarios intensivos* and leave their offices at 3 pm die hard and any attempt to revise them can mean costly new wage deals.

The rush to find scarce managers has, anyway, placed considerable financial strain on all industry, particularly small and medium-sized companies. According to a nationwide executive salary review by Harper & Lynch of Madrid, a commercial director in a company with less than 100 employees earns, on average, Pta 6.1m (£31,000) a year, up 46 per cent since 1986. A marketing director in the same company would be earning Pta 7.36m, a 52 per cent increase on 1986.

The same marketing director in a company employing between 200 and 400 people would now be earning Pta 19.8m, a huge 117 per cent rise on 1986. That increase is testament to the furious scramble, particularly in industry, to find people who can sell things in unprotected markets. Salesmanship is not a Spanish strength.

"Even now the most difficult thing to find is a salesman," says Cerezo. During the Franco dictatorship, "people used to queue to buy things."

But as Javier Balleste has demonstrated, there is no shortage of Spaniards willing to take their chances away from the comfortable embrace of the public sector. Madrid itself is littered with new financial service houses started often by young men and women who have broken away from the country's lumbering big banks to make their own way in a rapidly liberalising market.

In industry, reports Luis Garcia Fernandez, marketing director at Price Waterhouse, the response to change has been remarkable. "Two years ago we thought it would be very difficult to change management mentality but it has been easy."

Business schools are flourishing and easily place their graduates; though young Spaniards hanker to work in Madrid or Barcelona, they are becoming less choosy about where they work. Normally, says Diego de Alcazar, director of the Instituto de Empresa, Madrid's biggest business school, "Spaniards don't like to travel. No-one goes to the Basque Country."

He would be the first to welcome Araxes' recovery and to applaud the adventurous young traveller who has brought it back to life.

Getting the best from consultants

By Michael Skapinker

The financial controller of a large London bullion dealer did not think much of the report that the management consultants had prepared for him.

"All they ended up telling us was what we'd told them, in a dressed-up form," he said.

It is a common story. However, a new book called How to Choose and Use a Management Consultant* argues: "if a client fails to get what he wants from a consultant, it is often due to his inexperience in the art of being advised, rather than to any incompetence on the part of the consultant."

It adds that "most assignments that go wrong do so before the assignment even starts. The most frequent reason is that the client has not worked out what he wants, or has failed to communicate it to the consultants."

The book, published by Economist Publications, sets out to explain how companies can get more out their management consultants than the bullion dealer did.

Consultancies, the book says, can be divided into two categories: honeycomb consultancies and motherhood consultancies. Honeycomb consultancies move into new areas of business by taking on individual specialists or buying small firms.

They consist of "autonomous cells, each containing a different set of experts, whether in human resources, IT (information technology) or advanced manufacturing." All of the large accountancy-based firms, with the exception of Arthur Andersen, are honeycomb consultancies, the book says.

Motherhood firms, on the other hand, have a strong unifying culture. They hire Masters of Business Administration and other graduates and train them "according to a set of commonly held values and methods." Firms like McKinsey and Bain typify the motherhood approach.

It is an interesting classification, but is it of any practical use to companies which just want to find a good management consultant? Not really... but then this is a honeycomb sort of book. Having spent so much time thinking about consultants the authors have found it difficult to leave anything out.

The book gets more practical as it goes along, however, beginning with the suggestion that companies ask themselves if they really need a consultant. Many of the answers to corporate problems could be provided by employees – if only management would take the trouble to ask them.

Companies also need to ask themselves whether they mind consultants gaining access to the confidential information that the project will give them.

Although consultants do not generally talk about their clients without their consent, the book warns that "much of the knowledge and experience you seek from a consultant has been derived from his work in the area, possibly with your competitors. His next client will almost certainly gain the benefit of his experience working with your company."

The book contains another warning for users: when asking consultants to tender for a consulting project, do not tell them what your budget is. A London charity invited tenders for a feasibility study to refurbish a historical building. It said that the budget for the consulting project was £20,000.

All three consultancies to tender submitted proposals for projects costing about £20,000. The charity eventually managed to persuade the winning consultancy to do the work for a smaller fee. Had they not disclosed their budget in advance the consultancies would probably have asked for lower fees to start off with.

What should you ask consultants to include in their written tender submissions? The book suggests the following:

A brief analysis of your problem; an outline of how the problem will be tackled and what the solutions might be; what it will cost; how long it will take; a list of the consultants who will work on the assignment, along with their relevant experience; a description of the consulting firm, its record and experience; and whether the firm intends to sub-contract any of the consulting work.

Economist Publications, 40 Duke Street, London W1A 1DW. £75.

UK NEWS

QUALITY OF MARKETS

SE rule changes 'failed to draw in large deals'

By Richard Waters

CONTROVERSIAL changes made to the London Stock Exchange's trading rules earlier this year have failed in their aim of bringing more large deals to the market, judging by the Exchange's own analysis of trading experience since.

However, they have restored some order to the Exchange's share quotation system, which had ceased to show meaningful prices and sizes of transactions in some cases.

The rule changes were in response to complaints from some, mainly large and established, market makers that the trading reforms introduced at the time of the so-called Big Bang deregulation of financial markets were damaging their business.

This in turn prompted newer entrants to the market, particularly from the US, to complain that the changes were an attempt by the established firms in the City of London to keep them out.

An analysis in the Exchange's quarterly *Quality of Markets* survey concludes that between the time the new rules came into effect (on 13 and 27 February) and the end of the first quarter, trading patterns did not change substantially.

The Exchange warned yesterday: "It's very early days to make judgements. The main conclusion is that it's too early to draw a conclusion."

However, the tone of the detailed analysis in its survey suggests that conclusions are possible.

One change involved delaying the publication of large transactions in alpha stocks, those seeing heaviest trade. Of this, the report says: "We can but conclude that this rule change has not yet produced any of its target aims."

The amendment was meant to encourage more large trades, since it was argued that market makers would be more willing to take on large blocks of shares if they did not have to publicise the fact to the market.

However, deals involving 100,000 or more shares were not affected, and still account for around 75 per cent of deals by value (7 per cent by number of transactions).

Adjustments to the rule may be need to alter this, says the survey – apparently accepting that the experience of the first weeks after the rule change took effect are sufficient to draw firm conclusions.

The report admits that relaxing the disclosure rules may actually have harmed the market.

"There are arguments that increasing uncertainty, by limiting information, increaseas risk to market users and increases costs," it says.

A second motive for the rule change was to encourage tighter spreads between buying and selling prices on large transactions.

A 5 per cent reduction in spreads appears to indicate some success – but fewer deals are now being done at prices within the spreads, suggesting that there has been no overall change.

The second rule change in February, which removed market makers' obligation to make firm prices to one another, has had a more positive effect.

More market makers now quote prices for transactions in up to 25,000 shares.

This has not led to any loss of market share by the smaller market makers, as had been feared, says the report.

● The Government yesterday backed down on a piece of anti-tax avoidance legislation which had provoked a fierce reaction in the property industry.

The new rules, announced in the Budget and contained in the Finance Bill now before Parliament, would have penalised many privately-held companies which invest or trade in property.

The change of heart was announced by Mr Norman Lamont, Financial Secretary to the Treasury, in reply to a written question in the House of Commons yesterday.

Irradiated food 'offers real health benefits'

By Bridget Bloom

THE GOVERNMENT believes that food irradiation, a controversial process currently banned in Britain, offers "real health and economic benefits for consumers," Mr John MacGregor, agriculture minister, said yesterday.

Mr MacGregor confirmed that the Government was considering lifting the ban on the process, which can eliminate harmful bacteria in food and delay the ripening of fruit and vegetables.

An official report on the framework of controls necessary for the ban to be lifted was being considered and a decision would be announced as soon as this process was complete, Mr MacGregor told the House of Commons.

The decision to allow food irradiation is believed to have been taken in principle last month by the special cabinet committee on food which is chaired by Prime Minister Margaret Thatcher and was set up in February during the salmonella-in-eggs crisis.

An announcement that the ban will actually be removed has been delayed, however, because of the political sensitivity of the issue.

While the weight of scientific evidence appears to be that the process, similar to *microwave cookery*, would be a useful tool in combating the rising incidence of food poisoning, there is strong consumer resistance to the idea of eating irradiated food.

There are also mixed views within the food processing industry about the wisdom of lifting the ban, as well as from organisations which would have to operate whatever controls the Government decides are necessary.

A recent enquiry by the House of Commons Select Committee on European Legislation took evidence from the Institute of Environmental Health officers and from the Local Authorities Co-ordinating Body on Trading Standards (Lacots) expressing fears that controls would be impossible to enforce because of the absence of adequate tests to determine whether or not food has been irradiated.

Schools thrown lifeline from Down Under

Britain's classrooms are facing a critical shortage of teachers, reports David Thomas

VERONICA Portelli is marshalling a boisterous group of seven-year olds in a corner of Shacklewell junior school in Hackney, in the East End of London. "Line up, first years," she says in a broad Australian accent.

Ms Portelli is one among dozens of Australian and New Zealand teachers keeping education afloat in Hackney and Tower Hamlets, its neighbouring borough.

Antipodean teachers offer a lifeline to an Inner London Education Authority finding it increasingly difficult to persuade Britons to teach in parts of London. Yet they are by nature transient. "We know they're only short term and will move on," explains Ms Rosemary May, Hackney's education officer.

Indeed, Ms Portelli is one of three teachers planning to quit Shacklewell this term, leaving Mr Dave Edwards, the headmaster, pondering how he will return the school to its full strength of seven classroom teachers.

Nobody applied for the two posts which Mr Edwards has already advertised. "It is a terrifying thought that we might start the new school year without three teachers," he says.

Shacklewell has already had its fill of the growing crisis of teacher shortages. Hackney's supply teachers, who are available to fill in wherever shortages arise, are fully stretched plugging gaps left by the 60 vacancies in the borough. This means that Hackney's schools usually have to make do when a teacher is ill or away on training.

Mr Edwards has regularly had to split a class and send the children into different classes when teachers have been absent during winter. A group of six seven-year olds have to sit on the floor drawing in the corner of a classroom no bigger than a large living room, while a teacher gets on with a science lesson for 30 ten-year-olds.

Shaklewell Junior School in London's East End – only one of many schools with a staff shortage

Mr Edwards is a young and enthusiastic head running a bright and lively school. Yet Shacklewell is sandwiched between a block of flats of the bleakest grey and an even uglier commercial building in one of the most derelict parts of London. Its teachers have to cope with the 16 languages spoken by the school's 205 pupils.

Add in London's high cost housing to these inner city problems, and it is scarcely surprising that Hackney and Tower Hamlets are at the epicentre of teacher shortages. In Hackney, the squeeze is mainly on the primary schools, where pupil numbers are rising again.

Yet the problem goes wider than inner city London, as three events this week have shown:

● Mr Ian Beer, headmaster of Harrow, bemoaned the declining quantity and quality of applicants for posts at his school, one of the most prestigious in the country, when he launched a scheme offering undergraduates a spell in the classrooms of 1,400 private schools.

● The National Association of Head Teachers published a survey showing that more than 70 per cent of education authorities have had problems drawing up shortlists for some headship vacancies during the past two years.

● Essex education authority set up stall in the Central Hotel, Glasgow in an attempt to persuade Scottish teachers to help fill the 1,000 teacher vacancies the county will have to plug by September.

Essex is suffering the side-effects of the booming south-east economy. Entrants to teaching cannot afford its house prices, while established teachers in the county are cashing in by moving to the north.

Reliable figures are hard to come by, but many secondary schools throughout the country find it difficult to attract well qualified teachers of maths, physics, chemistry and technology. In Essex, the problem runs deeper.

Thus, Mr Peter Jarman, head of Passmores comprehensive in Harlow, has advertised a French teaching post six times without attracting a suitable reply. Another Essex comprehensive had just two applicants for an English vacancy: one really wanted to be a drama teacher, while the other admitted to having spent 20 years in the private sector after failing his probationary period in a state school.

That the Government is at last treating the problem seriously emerged this week from a speech dedicated to the issue delivered by Mr Kenneth Baker, Education Secretary, at the Royal Society on Wednesday night.

Until recently, civil servants at the Education Department fended off queries about teacher shortages with the response that they were much exaggerated. Mr Baker, by contrast, admitted this week: "We still have a long way to go particularly in shortage subjects."

The Education Secretary listed the initiatives already taken by the Government, including bursaries to encourage people to train as science, maths and technology teachers and the new "licensed teacher" training scheme tailor-made for mature entrants.

Meanwhile, however, Essex and Hackney are fretting about what to do when the school year begins in September.

One answer is increasingly generous relocation allowances. Essex is offering Scottish teachers two months' extra pay, coupled with up to £5,000 in moving expenses and up to five years' mortgage help. The Inner London Education Authority has just announced a package for teachers moving to Hackney or Tower Hamlets.

Some believe education authorities will have to travel further towards locally set pay. "Unless there is a *significant* regional allowance, like the banks pay here, we will suffer from teacher starvation," says the head of another shortage-threatened school.

Parties jockey for position in Vauxhall by-election

By Philip Stephens, Political Editor

THE Conservative candidate in next month's Vauxhall by-election yesterday attacked the Labour Party's recent policy review as a "cosmetic repackaging of socialism" designed as a cynical exercise in vote-seeking.

Mr Mike Keegan, a local councillor, launched his campaign with the charge that Labour's administration in Lambeth – which he said was incompetent, inefficient and extreme – provided a timely reminder of "the real Labour Party".

Labour is defending its 9,000-strong majority in the south-London constituency with the controversial candidate, Ms Kate Hoey, following the resignation of Mr Stuart Holland to take up an EC research post in Florence.

The appointment of Ms Hoey, in a constituency made up of 30 per cent blacks, has met with strong resistance from the local party organisation.

The party's national executive rejected the black candidate favoured by the local branch, and Mr Rudy Narayan, a barrister, has decided to run as an independent candidate to protest against the decision.

The Social Democratic Party, meanwhile, reached agreement with the Social and Liberal Democrats not to contest the Vauxhall by-election in return for a ballot at the next general election which is expected to lead to the sole candidacy of two SDP candidates in the Greenwich and Woolwich constituencies. Mr Mike Tuffrey will stand for the Democrats in Vauxhall.

Mr Brooke, who characterised the by-election as a "straight fight" between Labour and Conservatives, said the campaign would be a referendum on socialism as implemented by Lambeth council.

Ms Hoey, however, appears confident of a comfortable victory at the June 15 poll.

Yesterday she attacked the Government's proposals for the health service.

Under the Government's financial squeeze, West Lambeth health authority was facing a cut of two-thirds in its budget from £101m to £35m.

UK NEWS

Thatcher and Lawson dismiss talk of split

By Michael Cassell and Peter Norman

PRIME MINISTER Margaret Thatcher yesterday mounted a public display of unity with Mr Nigel Lawson, the Chancellor of the Exchequer, in an attempt to stem unease among Conservatives and in the City of London over the Government's anti-inflation strategy.

Mrs Thatcher, with Mr Lawson sitting beside her in the House of Commons, dismissed a suggestion from the Tory ranks that there was confusion within the Government over economic policy. She proceeded to use every opportunity to praise the Chancellor for his handling of the economy.

She told Members of Parliament that Wednesday's rise in interest rates was necessary to reduce inflation, which was unacceptably high. She added: "You will find no confusion on economic policy. The Chancellor and I find none."

Mrs Thatcher's display of unity followed publication of the April current account deficit figures. Although the £1.66bn current account gap was in line with market expectations, both the pound and shares came under pressure after publication of the news.

The April deficit, up from £1.18bn in March, brought the current account deficit for the first four months of this year to £6bn. This suggests that the annual rate of deficit is currently £18bn against the March budget forecast of a £14.5bn shortfall for the year.

The Bank of England intervened to support sterling shortly after publication of the trade data, and later joined a round of concerted intervention with other central banks to push the dollar lower in value. While the other central banks sold dollars for D-Marks and yen, the Bank's intervention was again in support of sterling.

The Bank's action helped dispel fears of an immediate further increase in bank base rates. However, London financial analysts said the pound's weakness showed that it could be vulnerable to interest rate increases abroad. The foreign exchange market was disappointed that the trade news was not better, they added.

The pound opened firmer yesterday because many traders had reasoned that Mr Lawson would only have raised base rates from 13 to 14 per cent in the knowledge of good trade figures. It closed yesterday higher against the dollar at $1.58 compared with $1.5685 on Wednesday, but down slightly against the D-Mark at DM3.1525 compared with DM3.155.

During Commons exchanges, Mrs Thatcher avoided endorsing Mr Lawson's forecast of a 5.5 per cent inflation rate by the year-end but said his handling of the economy had provided the highest standard of living and social services ever known in Britain.

Her remarks followed a meeting yesterday morning of the Cabinet, at which Mr Lawson gave a brief account of the latest economic situation. There was no discussion.

Mrs Thatcher's show of unity was welcomed by many Tory MPs, who have become increasingly concerned about the apparent strain between Mrs Thatcher and Mr Lawson.

Many Tories, however, remain unhappy about the confusing signals they believe the Government is issuing, in particular over its attempts to curb inflation.

In reply to Mr Neil Kinnock, the Labour leader, who asked her to give "this month's excuse" for the trade figures, Mrs Thatcher said part of the reason lay in the increase in industrial investment.

Mr Kinnock's attack was overshadowed, however, by an embarrassing clash earlier in the day on BBC radio, in which a recorded interview with the Labour leader was temporarily suspended. His problems were at once exploited by Mrs Thatcher across the despatch box, who claimed he wanted to see the implementation of import controls.

Libel casts the Eye into a storm

Philip Coggan looks at the British institution facing a £600,000 suit

So, farewell then
Private Eye.
Keith's Mum thinks
You'd be better read
Than dead.

HAS THE legendary poet, E.J. Thribb, penned his last verse in the satirical magazine Private Eye? The £600,000 libel damages awarded to Mrs Sonia Sutcliffe, wife of the Yorkshire Ripper, looks set to bankrupt Lord Gnome's famous organ.

There will be plenty of famous people ready to celebrate if Private Eye fails to have the damages reduced after appeal. The magazine has made powerful enemies over the years, notably Sir James Goldsmith, the industrialist and Mr Robert Maxwell, the publisher.

Private Eye's success rests partly on gossip, partly on an insatiable desire to offend and partly on an elaborate series of in-jokes. Eye euphemisms such as Ugandan affairs (for sexual activity) and tired and emotional (for drunk) have become part of the English language.

The humorous content of the magazine follows a fairly rigid format. There is the Colemanballs collection of commentating errors, such as David Coleman's description of an athlete, "He's not Ben Johnson, but then who is?; Sylvie Krin's melancholic musings on Prince Charles entitled "Heir of Sorrows"; and, most famously, the purported letters of Denis Thatcher to his golfing pal Bill.

Some people find the level of humour tasteless and elitist. However, in the tastelessness stakes it has been overtaken by the current wave of "alternative comedians" and by new magazines such as Viz which describe a vulgar schoolboy humour.

Many people read Private Eye for the humorous columns and the cartoons alone. However, about half the magazine consists of gossip columns on various sectors of the British establishment: newspapers, (Street of Shame), Parliament (HP Sauce, a well-known condiment), society (Grovel) and local government (Rotten Boroughs).

It is in those columns, and in its campaigns on single issues such as the Gibraltar killings in which four IRA members were shot, that the Eye normally gives offence and attracts libel writs.

Journalists often use the pages of the Eye to publish stories that their newspapers dare not print.

Ironically, despite the many rich and powerful people the magazine has offended, it has been brought low by the wife of a mass murderer.

This mix of humour, gossip and investigative journalism owes much to the early 1960s when the magazine was established. Satire was then a boom industry with the scandal-prone Macmillan government an easy target for Private Eye and the TV programme, That Was The Week That Was.

Since those early days, many people have been quick to pronounce the death of satire and claim that the Eye was past its peak. But its circulation, at 210,000, is close to its highest level.

What has changed is the attitude of libel juries, prompted more by the excesses of the tabloid press than by Private Eye itself. The £500,000 awarded to former Conservative deputy chairman Mr Jeffrey Archer appears to have created an inflationary spiral in damages awards.

Whether the damages will ruin Private Eye is harder to tell. The readers have loyally bailed out the company before – but the newly-established Ripperballs fund is being asked to raise far more than previous appeals. The highest damages award against the Eye before the Sutcliffe case was £55,000 for Mr Robert Maxwell.

Mr David Cash, managing director, said yesterday the magazine made £130,000 profit in 1987 and just £3,000 last year when provisions for libel damages and costs were about £500,000. Mr Cash said there were between a dozen and 20 libel writs outstanding.

Of the group's annual revenues of just over £2m, about £1m comes from subscriptions, £500,000 from readers paying the 50p fortnightly cover price, £500,000 from advertising and about £250,000 "in a good year" from the sales of spin-off books such as the Private Eye Book of Boobs. Journalists receive a bonus based on profits.

Mr Peter Cook, who as an actor in Beyond the Fringe was part of the 1960s satire boom, owns 70 per cent of Pressdram, the Private Eye holding company. Smaller stakes are owned by the former editor Mr Richard Ingrams, and by Mr Cash. Shareholders receive a crate of champagne by way of dividend.

Mr Cook, Mr Cash and the current editor, Mr Ian Hislop, met yesterday to decide whether to put the magazine immediately into bankruptcy – and start again under a new name – or to fight on. They chose the latter course.

If their fight fails, those who have escaped the wrath and wit of the magazine will wave a sad farewell to its cast of characters – Lunchtime O'Booze, Sir Lancelot Gussett, Bufton Tufton (that's enough Private Eye characters – Ed).

PRIVATE EYE, the satirical magazine renowned for its sharp and biting wit, yesterday decided to appeal against the decision on Wednesday to award a record £600,000 in libel damages to Sonia Sutcliffe, wife of the murderer known as the Yorkshire Ripper.

Editor of the magazine, Mr Ian Hislop, said the company which owned the magazine would probably go bankrupt if the damages were not substantially reduced. The magazine has launched an appeal to raise cash towards the expenses of the court case and the damages. Mr Hislop disclosed that the magazine was contesting another 20 libel cases, although they were not due to be heard for several weeks.

Insurance sellers 'not required to reveal premiums'

By Clive Wolman

THE Securities and Investments Board, the chief investor protection agency, yesterday backed away from requiring life insurance salesmen and advisers to tell users how much of their premiums will be eaten up in charges and commissions.

The publication of its consultative document, which the SIB said was unlikely to change in substance before it takes effect next January, drew strong criticism from consumer bodies that the SIB had succumbed to lobbying by the insurance industry.

Ms Jane Vass of the Consumers Association said the SIB had failed to take action to stop the "commissions war" which has escalated over the last few weeks with companies competing to pay advisers more and more for recommending their products. "We are very disappointed that they do not seem to have taken our views into account at all," she said. "What they propose is not going to be meaningful to a lot of people."

By contrast, the Association of British Insurers, the industry trade body, greeted the proposals with relief. "We welcome the practical approach that SIB is adopting," it said. "It will help consumers in making better informed financial decisions while providing a workable regime for the industry."

For the last three years, the SIB has been under pressure from MPs and from the Office of Fair Trading to reverse its previous policy and require insurance companies to disclose their expenses.

The solution it proposed yesterday represents a compromise between those demands and industry resistance. Insurance companies will have to demonstrate the effect of charges and expenses in lowering the investment returns on their unit-linked policies. But:

- The charges will not have to be disclosed in actual cash terms.

Mr Derek Fellows, the former chief actuary of the Prudential insurance company who is now the SIB director in charge of life insurance, said yesterday that cash disclosure would place too much emphasis on the costs of a policy rather than the benefits.

- The charges will not be disclosed when the customer buys a policy but only in the cancellation notice sent out by the insurance company up to two weeks later.
- Insurance companies will be free to raise their charges without limit after the customer has started paying premiums.

No disclosure will be required of the effects of any maximum charge.

- No decision has yet been taken on whether, and how, to disclose the effect of expenses on endowment and with-profits policies.

The SIB has also abandoned the requirement, which applied in some circumstances until May 1, that independent advisers must disclose to customers how much commission they will earn from recommending a policy at the point of sale. Instead commissions will have to be disclosed only in the cancellation notice at a later date and only in the form of percentages of each year's premium rather than as a single cash figure.

Imry plans to preserve remains of Rose theatre

By Paul Cheeseright, Property Correspondent

IMRY Merchant Developers, the property company, will announce in the next seven days a scheme to preserve, and display for the public, the remains of the Rose Theatre, once used by Shakespeare.

The undertaking came yesterday after Imry executives had what were called "helpful talks" with Mrs Virginia Bottomley, the junior Environment Minister.

In recent days Imry's architects have been working on technical details of a property development which will allow both preservation and presentation of the remains and the construction of an office block.

The remains of the theatre were uncovered last March at a site owned by Imry close to Southwark Bridge, on the south bank of the River Thames. The Museum of London was undertaking an archaeological investigation of the site before building began.

Imry's original plans to build over the site drew considerable public protest.

Sky channel to give away free TV decoders

By Raymond Snoddy

SKY TELEVISION confirmed yesterday it will give away free decoders to anyone subscribing to Sky Movies, the satellite company's planned pay television service.

Sky's film channel is at present freely available to all those buying satellite receiving equipment. From the autumn the channel will be scrambled so that only those who have a special decoder and pay a monthly subscription will be able to view.

The decoders were expected to retail at about £80 so the give-away could cost Mr Rupert Murdoch, chief executive of News International, the company that owns Sky Television, many millions.

It is the latest in a number of promotional measures designed to increase the slow sales of satellite television equipment.

Pulled three ways on energy policy

Robert Taylor explains the difficulties Sweden faces in replacing nuclear power

Sweden is the first country in the world which plans to abandon the use of nuclear power to meet its energy needs, but the official decision, announced last year, continues to arouse controversy.

A few days ago the Swedish Parliament confirmed its support for the non-nuclear strategy. Only the right-wing Moderate party appears ready to question the objective, although a public opinion survey last December found that 56 per cent of Swedes supported investment in nuclear energy. The anxieties aroused by the Chernobyl disaster in April 1986 appear to have ebbed away.

However, the Swedish Government remains committed in principle to phasing out the country's 12 nuclear stations by 2010, with the first two closures due in 1995-96. And the anti-nuclear lobby remains strong in a country that gives a high priority to environmental questions.

The non-nuclear policy will have far-reaching consequences for Sweden, not least for its internationally minded companies. At the moment, nuclear power provides about half of the country's electricity, with the other half coming from hydro-power.

The cost of abandoning nuclear energy will be enormous. The state power board, Vattenfall, has estimated that it will cost as much as SKr 100bn (£9bn) to implement the policy, and involve a doubling in electricity prices and the loss of up to 60,000 jobs. For her part, Birgitta Dahl, the Environment Minister, has sought to reassure industry that the non-nuclear strategy will not lead to increased costs, something the employers find hard to believe.

In the Swedish way, a commission of employers, union leaders, consumer representatives and experts is busily examining the consequences of the non-nuclear commitment. Among the leading employers to sound alarm bells is Bo Rydin, chief executive at SCA, the paper and pulp concern, who has warned that companies will simply increase their investment activities abroad.

Next week, a conference on the future of electricity will be held in Gothenburg. Vattenfall has prepared a wide-ranging and detailed paper, which argues that the electricity industry faces enormous problems in ensuring that the country continues to enjoy the benefits of electricity, while adjusting its technology to higher standards of environmental cleanliness.

It points out that the move away from nuclear power will cause particular difficulty because it runs parallel with other measures designed to limit the use of alternative energy resources on environmental grounds.

Swedish law already forbids any further increase in the construction of hydro-power capacity, to protect the country's rivers, and using fossil fuels as a substitute is inhibited by parliamentary guidelines. These say that carbon dioxide emissions into the atmosphere should not exceed their present level and lend support to an international commitment, made at an environment conference in Toronto last year, to reduce CO_2 emissions by 20 per cent by 2005.

On the other hand, official forecasts suggests that electricity demand will continue to grow from 130 terawatt (million million watts) hours a year to 145 TWh a year between now and 2010, the end of the nuclear phase-out period. This forecast implies only a 0.5 per cent growth in annual demand, considerably less than the 5.2 per cent growth rate experienced between 1982 and 1987.

As the Vattenfall paper points out, the Swedish electricity industry is having to confront three different objectives simultaneously: phasing out nuclear power, bringing down CO_2 emissions and maintaining economic growth.

The Swedish electricity authorities are conducting a project, known as Uppdrag 2000, *over the next three* to four years with a budget of $60m, which is designed to promote efficient energy-consuming technologies and to identify ways in which customers, suppliers and equipment manufacturers can make better use of energy through cost-effective conservation.

The researchers have developed a range of scenarios for the electricity industry based on the official estimate that *there will be an* annual real increase in the country's gross national product of 1.9 per cent between now and 2010. As the paper points out, on present trends – without the expected changes in the intervening period – electricity demand is set to rise from 128.6 TWh in 1987 to 193 TWh by 2010.

The first "reference" scenario assumes "market-driven conservation behaviour" in response to a 50 per cent increase in real electricity prices. It is estimated that this would lead to annual generation of TWh 139.5 by the end of the period.

Then there is the "efficiency" scenario, based on a substantially increased use of the efficient energy-consuming technologies which are already *commercially available*. The researchers have in mind, for example, adjustable speed drives for motors, pumps, fans and compressors; the retrofit of food refrigeration equipment to heat buildings; and high efficiency office electronics.

Savings could also be expected in the use of *space heating* and domestic hot water supply through greater insulation, improved glazing and the introduction of heat pumps. There would also be some additional use of oil.

The paper suggests that this scenario would allow economic growth to continue, while bringing about an annual decline of 0.6 per cent in the electricity demand, with a resulting figure of 110.9 TWh *by the end of the phase-out* period.

Even better results are achieved under the "high efficiency" scenario. This involves the adoption of selected energy-consuming technologies – for lighting, motors and household appliances – which are in an advanced stage of development but not commercially available. This would produce a demand figure of 95.9 TWh by 2010.

Finally, the "advanced technology" scenario takes in processes now at the research and development stage, but not yet judged to be cost-effective. It is *suggested that this could* reduce demand to 88 TWh.

The Vattenfall paper concludes that it will require a "combination of energy-efficiency and low-carbon electricity supply strategies" to achieve official objectives; and it warns that "depending only on one or the other will not suffice."

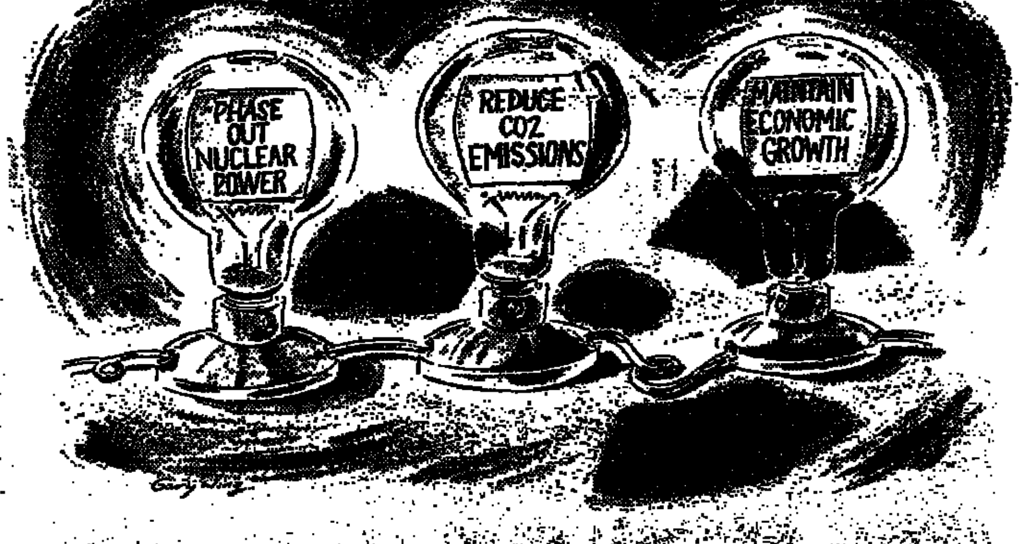
It goes on to argue that "to keep carbon emissions at or below the present level, bio-fuels will have to be used to avoid the five-fold increase in carbon emissions from the power and heat sector that would result from using natural gas and coal to meet a demand level of 140 TWh."

A prerequisite for using bio-fuels is the development of biomass gasification technology. But so far the Swedish Government has not given the go ahead for a biomass programme, which would involve the use of wood from Sweden's *forests to provide electricity*. The paper demonstrates that it will not be possible to reduce carbon dioxide emissions below their 1986 levels under any of the *main scenarios* without the utilisation of biomass technology. But this is going to cost considerably more than using natural gas or coal.

Next week's Gothenburg conference will bring together electricity experts from around the world. The hope is that the development of new electricity technologies, especially in the US, can provide opportunities for the Swedish policy-makers to make good their non-nuclear and emission commitments – at a price.

As the Vattenfall paper points out, "electricity *per se* is not of interest, but rather the demand for electricity is a reflection of the demand for the services it can provide. This was the perspective of Thomas Edison in starting the first electricity utility. His ambition was to sell illumination, rather than electricity, realising that as the efficiency of lamps increased, his profits *would also increase*."

For Sweden the end is near for cheap electricity. Its people will have to reconcile themselves to higher costs and adjust their lifestyles accordingly.



New wave of power stations to suit a tough regime

By Thomas Land

Technologists in Sweden have developed a new approach to harnessing wave energy for electric power generation. The system has been successfully tested by the National Energy Research Commission in Stockholm.

An experimental wave-power station, exploiting the "clean energy" technology, is to be erected in coastal waters. Two wave-power plants are already on line in neighbouring Norway and more are on order.

Wave power has emerged as an economically attractive alternative to conventional energy generation. Commercial units of up to 100 megawatt capacity are being designed to generate electricity at between 3.5p and 4p a unit, beating the price of electricity generated by big power stations, whether fuelled by nuclear power, coal or oil.

Global investment in renewable energy technologies is estimated to be £15bn a year and growing. These technologies *eliminate* carbon dioxide emissions, a result of burning fossil fuels, which contribute to global warming through the greenhouse effect.

They are also free of the environmental risks associated with nuclear power, demonstrated both by the Chernobyl disaster and by debate about how best to dispose of the radioactive waste.

The new wave-rotor system has been developed at Chalmers *Industriteknik*, a spin-off from Chalmers University of Technology in Gothenburg. Several business enterprises and some local authorities have expressed interest in the project and the experimental wave-energy station is likely to be funded by a mix of private and public investment.

The Swedish Government has laid down tough planning criteria for building new electric power installations to replace the nuclear reactors. They must conform to high environmental and safety standards; and the process of conversion is not supposed to jeop*ardise* Sweden's industrial competitiveness.

The success of the first prototype wave-rotor stations has helped to attract orders from, for example, Australia, Indonesia, Portugal and Puerto Rico. Wave power is proving particularly attractive to a potential export market of island communities currently dependent on diesel-driven electricity generators.

The new Chalmers converter comprises two counter-rotating wave rotors facing the incoming waves. The floating rotor is long and cylindrical with a number of curved horizontal vanes, divided into transverse compartments.

The vanes are filled with water on one side and with air on the other and the moving waves cause rotation around the axis, which drives the machinery. Made of aluminium, the rotors are tailored to the average wave conditions at the location for which the plant is intended.

The sturdy and relatively simple construction of the plant is designed to withstand storms. Big waves have little effect as the compartments can take only a limited quantity of water while the rotor's stroke is not limited.

During its initial development phase, the wave-rotor system's role will be as a standard electricity generation unit supplying pumps and water desalination stations. But at a later stage, several units are to be linked together for medium or large-scale production supplying the national grid.

The unit has proved particularly effective in shallow waters; and its proximity to the shore offers additional economic benefits.

Elsewhere, Norway is to build several large wave-power plants. Japan operates several hundred small wave generators to power its navigational buoys and has tested large turbines *on board an experimental ship*. Other wave generating technologies in the one to 20 kilowatt range have been developed in the US and the Soviet Union, as well as in Sweden.

The case for typing syllable by syllable

BOSWELL Industries, of Vancouver, has *developed* an alternative to the "qwerty" keyboard which it says will result in *faster* typing.

The Canadian company *points out that* even with computer-assisted word processing systems, *today's* professional typists can only average 60 to 80 words a minute. The average for the new keyboard, which operates on phonetic principles, is expected to be about 150 words a minute.

The *secret of Boswell's* speed lies in the keyboard design. Instead of single letters or characters, whole syllables or words are produced at a stroke, in a kind of electronic shorthand.

A companion software program generates correctly spelt words and *displays* them instantly. Since the average word contains six letters but only 1.6 syllables, the company says that typing speeds of between 140 and 180 words a minute can be achieved.

Mastering the system is said to be no more difficult than learning *how to touch* type – and the Boswell computer has enough on-board memory to *store* several hundred pages.

The new machine is similar to the stenographic machines used for court reporting, but less expensive. A court-room stenographic machine costs about C$15,000. The Boswell unit is expected to retail for around C$5,000.

The project began as the brainchild of Maggie Magee-Dodd, a former court reporter, and Erol Hembroff, a blind computer programmer. Funding came from the National Research Council and the University of British Columbia.

Whether or not the new keyboard *gains acceptance* from the world's typists, there are others who will welcome it. Disabled people and the visually impaired will be able to attach a computer voice box, allowing them to hear the sounds that they are entering.

Boswell, however, is convinced *that* word processing is its main market and is preparing a *means* of plugging the unit into most other computer systems.

Geoffrey Charlish

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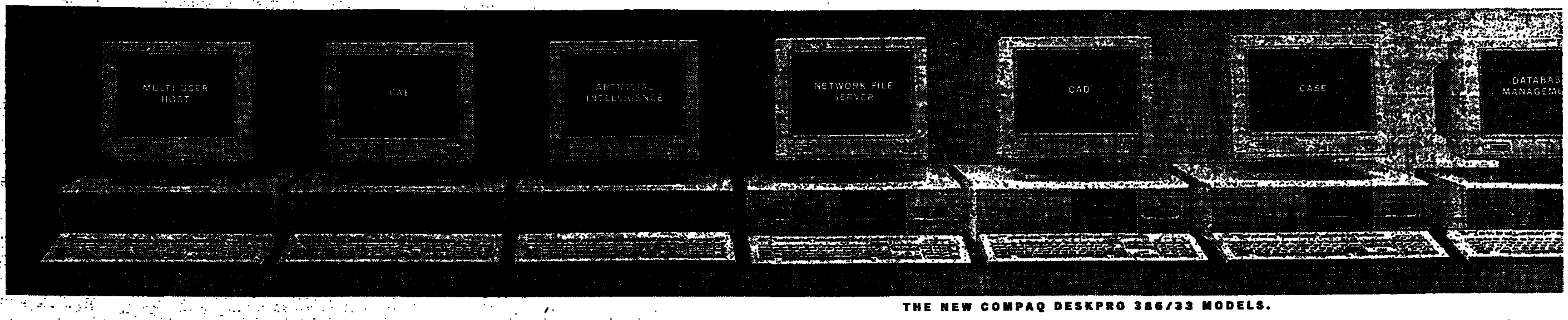

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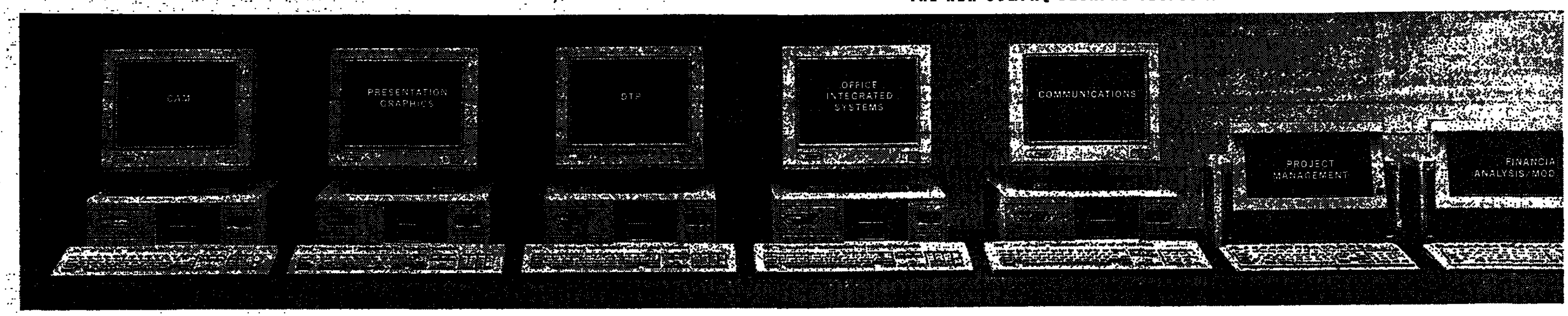

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Barometer of the sector

Paul Cheeseright looks at the latest set of figures from Land Securities

Once upon a time the stock market would have thrilled to an increase in net asset values of nearly 30 per cent. Not any longer. Two years of growth in the property market have made them all terribly predictable.

Not only that. The stock market has seemed bored with the whole matter of property shares. Trading in the sector has recently been sluggish. What better, some suggested, than a rollicking set of figures from Land Securities, biggest of all the property groups, to lift the sector from its torpor.

But Land Securities did not do the unexpected. Its figures for the year to March, announced last Wednesday, slotted neatly into the range of market predictions: net asset value per share up 28 per cent to 855p, 1988-89 pretax profits up 11.6 per cent to £149m, property assets of £5.2bn, more than £1bn more than at March 1988. Response was tepid.

The day was unfortunate. The property sector was overshadowed, perhaps a trifle unnerved, by yet another rise in interest rates. That is unlikely to affect Land Securities with its debt neatly arranged on fixed interest but it did not heighten regard for highly geared development and trading companies faced with crumbling margins.

Land Securities, however, is a barometer for the sector. With its extensive interests, it is as good a single indicator as any for movements in the sector. Mr Peter Hunt, the chairman, acknowledges that growth in the current financial year will be less than in the last two years. But that growth is still likely to be substantial.

"I'd be a bit nervous if we were two miles up the City Road – but we're not," he said, in a reference to a fringe area of the City of London, outside the traditional office district. In other words, property companies with a portfolio in central locations are likely to feel a downturn less than those on the periphery.

Indeed, City analysts looking forward to March 1990 are predicting further growth in Land Securities' net asset value to 940p a share and upwards. That would put the share price, immediately after the results, at a discount of about 39 per cent. It is true that the average discount in the sector has been around 27 per cent. It is also true that traditionally the property investment houses have stood in the market at a discount to their net asset value. But that 39 per cent looks excessive.

The reason is that the stock market and the direct property market have veered apart.

Although the property share market has been dull recently, it has not been low relative to the rest of the equity market. Property shares are still the most expensive on the market. Mid-week, the price-earnings ratio average for the sector, given in the FT-Actuaries Share indices was 20.86, against an average for the 500 Share Index of 12.69.

The performance of the direct property market is only one factor bringing about growth

Although the Property Share Index at 1309.31 has drifted down from this year's high of 1352.49 in mid-March, it *remains comfortably higher* than the 1198.13 level at which it started the year. Further, that March high point was within hailing distance of the peak reached in July 1987 before the equity crash.

Where the stock market looks low is in relation to the net asset value figures. And these figures are a reflection of what is going on in the direct property market where, by any standards, performance has been exceptional, as the IPD Index shows in the accompanying graph.

The disparity between stock market perceptions and actual property performance suggests that investors have already taken into account the possibility of bad sectoral news. Or, to put it another way, the market is anticipating a downturn. Yet this indicates a prescience which may not be wholly justified.

For example, after the market crash of October 1987, investors eschewed the development and trading companies, preferring the comparative safety of asset-based stocks. To a large extent they still do. Such companies, however, have been happily bumping up profits ever since, which, as earnings driven companies was their task, and indeed continue to do so.

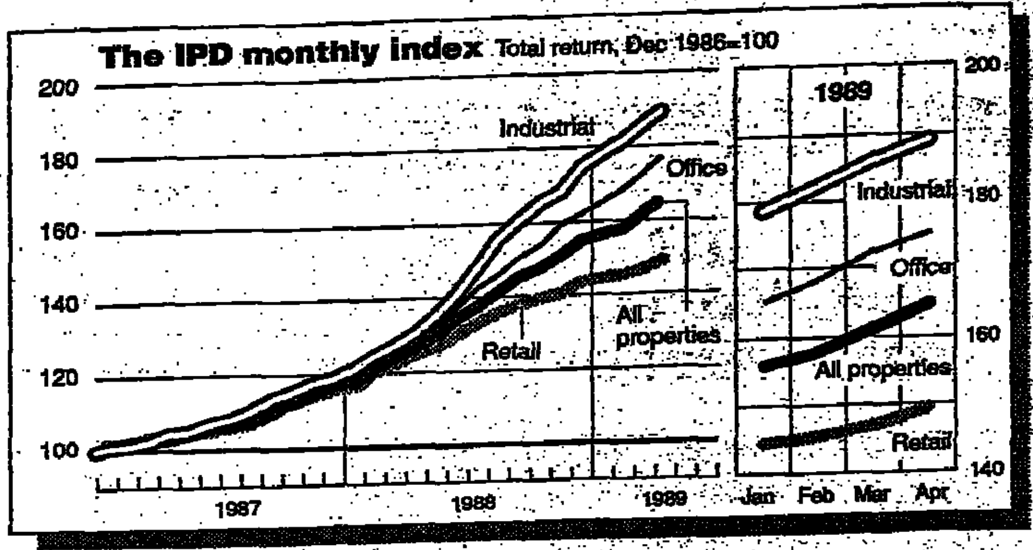
The *argument against* investment implicit in the current dullness was circulated 18 months ago. Repeated over a long enough period, it is bound to be right at some time, given that the industry is notoriously cyclical. Events this week may indicate that the time of the argument has come.

But, Mr Hunt argues, "It is wrong to write off what is likely to be a normal rate of growth." For him that means anything between 8 and 15 per cent. Through the 1970s recession, he recalled, Land Securities was obtaining between 8 and 12 per cent on its shopping portfolio.

Yet, from the Land Securities point of view, which would probably be echoed at other investment companies, the performance of the direct property market is only one factor bringing about growth – the growth that the market evidently fears may be disappearing.

Mr Hunt lists three factors. First, Land Securities has a portfolio which is highly reversionary so that income and capital growth will continue even if rental values do not move from present levels. Second, the group is making a surplus on its developments each year. Third, higher value is created through energetic man*agement of the portfolio*, for example by buying in leases at one price and creating new ones at a higher level.

But here Land Securities differs from its smaller quoted brethren. It is so large that it can plough through the industry cycles, adjusting its development programmes to economic conditions. Right now it is preparing for the 1990s.



Market 'just off the top'

THE INVESTMENT Property Databank's latest monthly index shows that the market remains strong but is less hot than it was a year ago. Evidence *continues to* accumulate that the market is just off the top.

Measured on a 12-monthly basis, total returns have started to slow in each of the three main sectors. Returns in the first months of this year were lower than in the last quarter of 1988.

In April, the monthly rate of return for industrials was 1.9 per cent, continuing the pattern of recent months when industrial returns have been higher than those for both offices (1.7 per cent) and retail property (1.4 per cent).

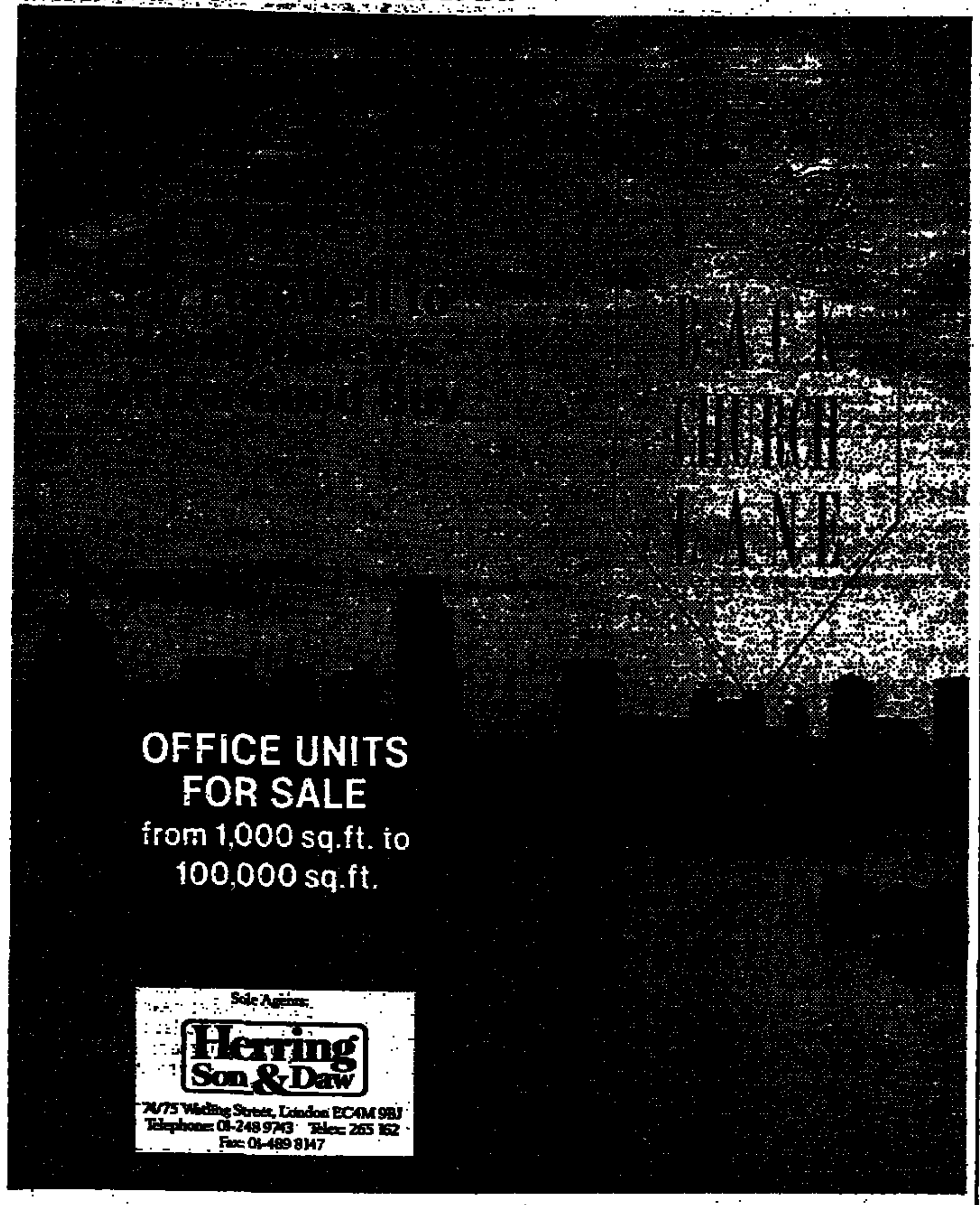
"Market returns are still being driven by rental growth of 3.4 per cent over the last quarter – 1.0 per cent last month. But yields are showing the stable pattern that has lasted since December 1988," the IPD commented.

Total returns have started to slow

In the case of industrials, where the year-on-year return at the end of April was 44.9 per cent – down from the peak of 47 per cent in February – there is some evidence, in the IPD view, that yields are no longer falling. Capital growth is lagging rental value growth. But income returns remain above offices and industrials.

Retail property which has been bobbing in the wake of reduced consumer spending could be stabilising. Yields have stopped lengthening and there was some capital growth during April.

Offices have seen further rapid rental growth and yields continued to harden. Total returns have reached 5.9 per cent over the *last quarter*, having slid from 19.4 per cent in the 1988 June quarter.



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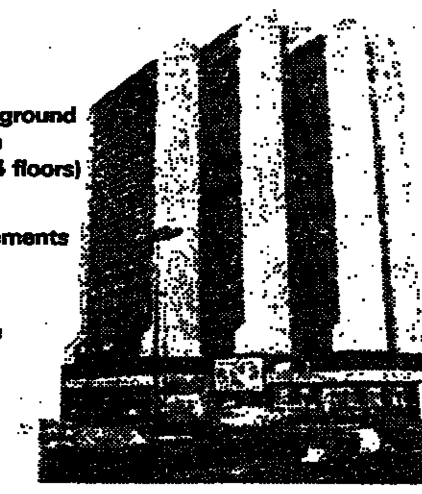

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COMPANY NOTICE

EVERARDS BREWERY LIMITED

NOTICE is hereby given that the transfer books and register of the 5% Cumulative Preference Shares of the above named Company will be closed on 19th June 1989, to facilitate the preparation of the payment of the half-yearly dividend on 30th June, 1989.

BY ORDER OF THE BOARD.

LEGAL NOTICES

No 002505 of 1989
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER OF GOODLANDS HOLDINGS LIMITED
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 27th day of April 1989 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above-named Company amounting to the sum £1,196,397

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr Justice Peter Gibson at the Royal Courts of Justice, Strand, London, WC2A 2LL on Monday the 12th day of June 1989

ANY Creditor or Shareholders of the said Company desiring to oppose the making of an order for the confirmation of the said cancellation of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose

A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same

Dated this 12th day of May 1989

Signature:

Veale Wasbrough
14 Orchard Street
Bristol BS1 5ER

Solicitors for the above named Company

LEGAL NOTICE

IN THE MATTER OF
THE COMPANIES ACT OF 1985
and
IN THE MATTER OF VIGERS, STEVENS & ADAMS LIMITED

NOTICE IS HEREBY pursuant to Section 594 of the Companies Act 1985 that a General Meeting of the Members of the above named Company will be held at 1 Wardrobe Place, Carter Lane, London EC4V 5AJ on Tuesday 31st May 1989 at 10 a.m. to be followed at 10.15 a.m. by a General Meeting of the Creditors for the purpose of receiving an account of the Liquidators' acts and dealings and of the conduct of the Winding-up to date.

Dated this 12th day of May 1989

P R Copp P W J Hartigan
JOINT LIQUIDATORS

No. 002781 of 1989

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION

IN THE MATTER of
MARINEX PETROLEUM PUBLIC LIMITED COMPANY
- and -
IN THE MATTER of
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 11th May 1989 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above-named Company by the sum of £9,127,255
AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Peter Gibson at the Royal Courts of Justice, Strand, London, on Monday the 19th day of June 1989
ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose
A copy of the said Petition will be furnished to any such person requiring the same by the under-mentioned Solicitors on payment of the regulated charge for the same.

DATED this 22nd day of May, 1989

LINKLATERS & PAINES (A.Rob)
Barrington House
59-67 Gresham Street
London EC2V 7JA
Solicitors for the Company

COMPANY NOTICES

SOLVAY & Cie Société Anonyme
Registered Office : 33, rue du Prince Albert, Ixelles (Brussels)
Brussels Trade Register no 5554

Shareholders are hereby invited to attend :
the Ordinary General Meeting which will be held on Monday 5th June 1989 at 10 a.m. to transact the following business :

AGENDA

1. Reports of the Board of Directors and of the External Auditor on the operations of the financial year 1988.
2. Approval of the Annual Accounts for the financial year 1988 - Appropriation of profits and declaration of dividend.
3. Release to be given to the Directors and to the External Auditor for their acts during the financial year.
4. Board of Directors :
   a) Statutory appointment :
      - Appointment of one Director to replace Mr. Pierre Casimir-Lambert, who terminates his term of office and, being eligible, has offered himself for re-election for a new term of office of six years.
5. External Auditor :
   a) Appointment of one Auditor to replace Mr. André Hoste, who terminates his term of office and, being eligible, has offered himself for re-election for a new term of office of three years.
   b) Change in the remuneration of the External Auditor.
6. Other business.

The Board of Directors hereby informs the shareholders that the following formalities must be respected in order to attend this meeting :

1) *If their shares are bearer share,* they will have to lodge these shares temporarily and have them deposited at the Registered Office of the company or at one of the banks listed below, by Tuesday 30th May 1989 at the latest :

- In Belgium :	Générale de Banque Banque Bruxelles Lambert Kredietbank
- In Germany :	Deutsche Bank
- In France :	Lazard Frères & Cie Banque de la Mutuelle Industrielle
- In Italy :	SPAFID
- In Luxembourg :	Banque Générale du Luxembourg
- In the Netherlands :	Algemene Bank Nederland
- In Great Britain :	J. Henry Schroder Wagg & Co. Ltd. Banque Belge Ltd.
- In Switzerland :	Crédit Suisse

The foreign banks mentioned above have the faculty, in their respective countries, to designate other establishments where Solvay shares can also be validly lodged. The list of these establishments will be published in due time in each country.

In conformity with article 38 of the Article of Association, proxies must reach the Registered Office by Tuesday 30th May 1989 at the latest.

2) *If their bearer shares are those reserved for employees of the Solvay Group and are temporarily blocked (125th anniversary of Solvay & Cie)*,no formality applies regarding temporary lodging or depositing of shares.

   If these shareholders have the intention to attend or to be represented at the meeting, they are kindly requested so to inform the company by returning the notice of attendance or the proxy, as applicable, which will be made available to them at their local Personnel Office. Such documents must reach the Registered Office at least five clear days before the meeting, i.e. by Tuesday 30th May 1989 at the latest.

3) *If their shares are registered,* the holders must notify the company in writing, by Tuesday 30th May 1989 at the latest, of their intention to attend the meeting, whilst indicating the number of shares they hold or represent. Similarly, in conformity with article 38 of the Articles of Association, proxies must reach the Registered Office by Tuesday 30th May 1989 at the latest.

Debenture holders wishing to attend this meeting are asked to comply with the same formalities as those imposed on shareholders (Article 37 of the Articles of Association).

Finally, in conformity with Article 78 of the Belgian Company Law, every shareholder is entitled, on production of his share, to obtain free of charge a copy of the annual accounts, of the reports of the Board of Directors and of the External Auditor.

The Board of Directors

HEREFORD & WORCESTER

The Financial Times proposes to publish a Survey on the above on

14th July, 1989

For a full editorial synopsis and advertisement details, please contact:

Anthony G. Hayes

on 021-454 0922
or write to him at:

George House, George Road
Edgbaston, Birmingham B15 1PG.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

ITALEX LIMITED
US$ 230,000,000
Unsecured Floating Rate Notes
due 1989 to 1992

On May 12, 1989, Notes for the amount of US$ 28,750,000 have been drawn for redemption at par on the next Interest Payment Date, i.e. July 3, 1989.

The following Notes will be redeemable coupon No. 8 and following attached:

00004	00101	00193	00278	00368	00445	00549	00639	00735	00816	00883
00007	00108	00205	00281	00390	00446	00557	00640	00750	[illegible]	00892
00036	00120	00212	00302	00391	00462	00558	00663	00754	00839	00894
00052	00122	00217	00308	00395	00469	00565	00675	00761	00845	00898
00057	00134	00224	00325	00396	00492	00567	00679	00769	00846	00918
00065	00144	00228	00326	00402	00495	00575	00688	00772	00848	
00067	00153	00236	00329	00408	00502	00588	00698	00781	00852	
00070	00172	00241	00336	00409	00519	00593	00717	00789	00853	
00081	00182	00245	00358	00413	00540	00603	00723	00807	00865	
00086	00184	00254	00360	00420	00541	00612	00725	00811	00866	
00095	00190	00255	00367	00434	00545	00613	00728	00815	00877	

Amount outstanding: US$ 172,500,000
Notes previously drawn and not yet presented for redemption: none.
Luxembourg, May 26, 1989

The Principal Paying Agent
KREDIETBANK
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NOTICE TO BONDHOLDERS
CITY OF COPENHAGEN
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Pursuant to the provisions of the Purchase Fund, notice is hereby given to Bondholders that no Bonds have been purchased for the Purchase Fund during the twelve-month period from May 15, 1988 to May 14, 1989.

Amount outstanding : UA 16,401,000

May 26, 1989

THE FISCAL AGENT
KREDIETBANK
S.A. LUXEMBOURGEOISE

FACTORY AUTOMATION

The Financial Times proposes to publish this survey on:

TUESDAY 13 JUNE 1989

For a full editorial synopsis and advertisement details, please contact:

MEYRICK SIMMONDS
on 01-873 4540

or write to him at:

Number One
Southwark Bridge
London
SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
26	27	28	29	30	31	1

THEATRE

London

Hamlet (Olivier). This picturesque Renaissance revival by Richard Eyre for the National Theatre is a disappointment, though Daniel Day-Lewis may improve with experience in the role. Fullish text, but no emotional or intellectual fire. May 25-June 1 (928 2252).
The Black Prince (Aldwych). Ian McDiarmid gives the performance of a lifetime in Iris Murdoch's distillation of her own Hamlet novel. (836 6404).
Ghetto (Olivier). Brilliant National Theatre version of *Joshua Sobol's Israeli play about* the last days of the Vilna ghetto and its resident theatre company. Moving and shocking. Good music arranged by Jeremy Sams (928 2252).
King John (The Pit). Deborah Warner's RSC revival reveals a near-masterpiece, hitherto ignored. Worth queuing for, even at the Barbican, May 26, 27-30 (638 8891).
The Tempest (Barbican). Magisterial RSC revival directed by Hytner, with John Wood returning in triumph as the most complete Prospero of our age. May 25-27 (638 8891).
Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between *Prunella* Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. (734 1166).
M. Butterfly (Shaftesbury). Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. (379 5399).
A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. (930 2578, cc 839 1438).
Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2428).
The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. Mannered, excessive, beautifully costumed. A must for yuppies (379 6107, cc 741 9999).
Henceforward (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).
King Lear (Old Vic). Eric Porter in titanic and lyrical form in Jonathan Miller's production. Paul Rogers is Gloucester, Gemma Jones and Frances de la Tour are Goneril and Regan. The lighting has been described as either murky or a calculated sop to 17th century Tenebrist painting (928 7616, cc 261 1821).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for *Eugene McCarthy's* presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).
Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).
Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling (239 6262).
A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. (947 0033).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Speed-the-Plow (Eisenhower). David Mamet's vivid view of Hollywood as a den of thieving deal makers stars William L. Petersen, Bob Balaban and Felicity Huffman. Ends June 11 (254 3670).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).
Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

The Phantom of the Opera. Nissei Theatre (045 903 5701). This excellent production (in Japanese) is a carbon copy of the London original.

MUSIC

London

Royal Philharmonic Orchestra, conducted by Edo de Waart, with Nigel Kennedy (violin). Schubert, Berg, Fauré, Stravinsky. Royal Festival Hall (Fri) (928 8800).
London Symphony Orchestra, conducted by Sir Colin Davis, with Kyung Wha Chung (violin). Stravinsky, Sibelius, Beethoven. Barbican Hall (638 8891) (Fri).
Royal Philharmonic Orchestra, conducted by Carlo Rizzi, with Eduard Wolfson (violin). Mendelssohn, Handel, Bruch, Beethoven. Barbican Hall (638 8891) (Mon).
English Chamber Orchestra, conducted by George Malcolm, with Hiromi Okada (piano). Bach, Mozart. Barbican Hall (638 8891) (Wed)
Orchestra of the Age of Enlightenment, conducted by Sigiswald Kuijken, with Timothy Brown (horn), and Lisa Beznosiuk (flute). Mozart. Royal Festival Hall (928 8800) (Wed).

Paris

Orchestre Colonne conducted by Philippe Entremont, with the Colonne Orchestra choir conducted by Jean Sourisse. Joseph Haydn. (Mon) Théâtre des Champs Elysées (47203637).
Ensemble a Sei Voci. Schoenberg and Gesualdo (Mon).
Nouvel Orchestre Philharmonique, Ensemble a Sei Voci, Ensemble d'Instruments Anciens, Maitrise de Radio France conducted by Jean-Claude Malgoire playing Stravinsky, Monnet, Pablo, Kagel (Mon). (42301516).
Maurizio Pollini, piano, playing Brahms, Schoenberg, Beethoven, Salle Pleyel (Mon) (45638873).
Ensemble Orchestral de Paris conducted by Mario Venzago, Philip Bride, (violin). Schubert, Spohr, Landowski, Mozart. Salle-Gaveau (Tue) (45632030).
Paris Opera Orchestra conducted by Lothar Zagrosek. Hoeller, Zimmermann, Paris Opéra (Tue) (47425371).
Orchestre de Paris conducted by Daniel Barenboim, with Martha Argerich, (piano). Mozart, Gaussin, Rachmaninov. Salle Pleyel (Wed, Thur) (45630796).

Brussels

Monnaie Symphony Orchestra conducted by Sylvain Cambreling with Rudolf Buchbinder (piano) and Elzbieta Szmytka (soprano). Mozart. Théâtre Royal de la Monnaie (Fri).
Aria Ensemble with Jose Van Dam (tenor), conducted by Max 't Kindt. Mozart. Théâtre du Residence Palace (Sat).
Belgian National Orchestra conducted by *Georges Octors in the* final round of the Queen Elizabeth Violin concert. Palais des Beaux-Arts (Sun-Thur).
Les Pastoreaux Chorus accompanied by Waterloo Chamber Orchestra conducted by Ulysse Wateriot with Marie-Noelle de Callatay (soprano). Mozart. Eglise St Joseph, Waterloo.

Amsterdam

Radu Lupu (piano). Bach, Mozart, Schubert (Sun) Concertgebouw. (718 345).
Barbara Bonney (soprano), accompanied by Geoffrey Parsons. Wolff, Richard Strauss (Tue).

Rotterdam

Netherlands Philharmonic Chamber Orchestra, with Marieke Blankestijn (violin), Antoni Ros-Marbà conducting. Haydn, Mozart, Ravel (Tue) Doelen (413 2490).

Berlin

Berlin Philharmonic Orchestra, with Neil Shicoff and the Ernst Senff choir, conducted by James Levine. Berlioz. Philharmonie (Sat, Sun).

Frankfurt

Cleveland Orchestra under Christoph von Dohnanyi. Weber, Schoenberg, Schubert. Alte Oper (Sat).

Vienna

Wiener Fest Wochen, annual festival of music dominates the scene in Vienna after its opening on May 11 and continues through to June 18.
Wiener Klavierquartett. Cannabich, Mozart, Beethoven, Brahms. Palais Palffy. (Sat)
Wiener Symphoniker, conducted by Rafael Frühbeck de Burgos. Brahms, Ravel. Konzerthaus. (Sun)
Lieder Recital by Peter Schreier with Konrad Ragossnig (guitar). Schubert. Konzerthaus. (Mon)
Wiener Saxophonquartett. Bischof, Clemencic, Ebenhoh, Kratochwil. Palais Ferstel (Tues)
Cleveland Symphony Orchestra, conducted by Christoph von Dohnanyi. Bartok, Mahler. Konzerthaus (Wed).

Rome

Euromusic Concerts, Luca Gianetti (piano). Mozart, Skriabin and Ravel (Sun). Teatro Ghione, Via delle Fornaci 37.
Euromusic Concerts, Constance Channon Douglass (piano) playing Chopin (Tues) Teatro Ghione, Via delle Fornaci 37.

Florence

Philharmonic Orchestra conducted by Giuseppe Sinopoli playing Schoenberg and Mahler (*Maggio Musicale*) (Sat) (2779236).

New York

Manhattan Philharmonic conducted by Peter Tiboris with Portland Opera Chorus and Children's Chorus. Mozart, Funk, Taneyev. Carnegie Hall (Mon) (247 7800).

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich. *Offenbach, Britten.* Kennedy Center Concert Hall (Thur) (254 3776).

Chicago

St Paul Chamber Orchestra conducted by Christopher Hogwood featuring Handel, Mozart. Orchestra Hall (Tue) (435 6666).

Tokyo

Aprile Milo (soprano) Rossini, Beethoven, Verdi. Showa Women's University Hitomi Memorial Hall, near Sangenjaya (Mon) (235 1661).

EXHIBITIONS

London

The Tate Gallery. Cecil Collins and F.E.McWilliam — retrospective shows side by side of two senior British artists: Collins a highly idiosyncratic visionary and symbolist painter with a particular interest in the idea of The Vision of The Fool, on which he has also written extensively; McWilliam an early follower of Moore. Both shows until July 16; McWilliam sponsored by Ulster TV.
The Whitechapel Gallery. Sean Scully — a selection from the work of the past six years of a painter, Irish born, British educated and now naturalised American. Until June 25, then on to Munich and Madrid.
The Barbican Gallery. 100 years of Russian Art — a curious exhibition drawn from private collections in Russia, itself something of a surprise. Until July 9.
The Royal Academy. The Royal Treasures of Sweden 1550-1700. An exhibition that sounds somewhat dry and daunting but is in fact a wonderful spread of riches, beautifully presented, trophies drawn from across the whole of Europe in the time of Sweden's abrubt emergence as a European power. Daily until June 18; sponsored by Gamlestaden.

Liverpool

The Walker Art Gallery. La France: Images of Women and Ideas of Nation — second showing of the South Bank Centre's bicentennial celebration of the Revolution. It is a generous and affectionate tribute to Britannia's difficult neighbour. Ends June 11.

Paris

Carte Musées et Monuments sold in museums and Metrostations enables visitors to avoid queues at 60 museumsand monuments, including the Louvre, Musée d'Orsay and Versailles Palace.
Grand Palais. The French Revolution in Europe. A vast exhibition organised by the Council of Europe tries to situate the French Revolution in the social and political context of Europe as a whole. Over a thousand paintings, sculptures, engravings, objets d'art and everyday objects lent by 15 countries retrace the pre-revolutionary splendour of European courts and the aristocracy as opposed to the laborious life of the peasants. Closed Tue. Late opening night Wed. Ends June 26 (42895410).
The Louvre. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance *to one of the world's most* famous museums. Erected as a medieval fortress in 1204, the Louvre later expanded into a renaissance royal palace only to be turned into a museum in revolutionary 1793. Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue.
The Louvre. Les donateurs du Louvre. Aptly, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. What would the Louvre be without Rembrandt's Bethsabee, Goya's Marquise of Solana or without the odalisques in the Turkish Bath by Ingres? Without the Greco-Roman silverware from Boscoreale, the towering effigy of King Amenophis IV or Cressent's 18th century Commode with a Monkey? There are 350 works chosen from among tens of thousands show the excellence and variety of donations which enriched the original royal collections. 12am to 10pm, all days except Tuesdays. Ends August 21. Entry through the Pyramid, Hall Napoleon, Niveau Accueil.
The Louvre. Michelangelo as draughtsman. Some 80 drawings chosen from great international collections come to Paris after being exhibited in the National Gallery of Art in Washington. There are preparatory drawings for the Sistine Chapel, projects for architectural decors and anatomical studies. Galerie Mollien, entrance through thePyramid, direction Denon. Closed Tue, ends July 31.
Musée Jacquemart-André. Russian historical costumes. Leningrad's Hermitage Museum has lent 200 exhibits from its treasure trove of historical costumes dating from 1700 to 1914. Richly embroidered court dresses, gold on red velvet or silver on silvery brocade vie with the gracefulness of French-inspired lines of a white muslin dress. There are uniforms, sacerdotal robes and servants' liveries, there is the *exotica of peasants' colourful* clothes. Some 50 portraits complete the exhibition. 158, Bld Haussmann, 12 noon-6.30pm; ends May 31.
Galerie Schmit. French masters of the 19th and 20th century.The traditional yearly exhibition in the three-storey town house shows the richness and diversity of the period covered. An exceptionally cheerful Courbet — the Sleeping Peasant Woman with round red cheeks and a red bodice is only a few paces away from a small Corot, Games in Greece, poetical in its Italian light. Nicolas de Stael's flowers in a flat-rendered shiny red flower pot spread their green leaves in generous broad brushstrokes against a black background next to Signac's ships leaving a harbour, where the mood and the subject are expressed through a multitude of carefully applied small pastel coloured dots. There is an explosion of colours from the *fauves*, as well as a small early Picasso, a conversation piece, so genuine in its attitudes.396, *rue Saint-Honoré* (42603636), closed lunchtimes and Sundays, ends July 19.
Galerie Odermatt-Cazeau. Masters of the 19th and 20th century.A large Bonnard — La Place de Clichy — catches thebustle of a Parisian street. But while the brushstroke is impressionistic, the gentle melancholy tonality of blue-greys is personal to Bonnard. Changing the mood abruptly is the exhibition's *succes à scandal* — Chagall filling up space with themes of Jewish mystique around a signature of Hitler and spine-chilling symbols of Nazi domination. There is a Monticelli, the painter venerated by Van Gogh, with a still life of a lemon in vibrating yellow against dark, near-baroque shapes, a powerful, tormented portrait of Lucien Freud by Francis Bacon, a delightful, small Cezanne with green trees; there are two Renoirs and one Picasso. 85 bis, Rue du Fbg.-Saint-Honoré (42669258). Closed Sun.Ends July 29.
Goethe Institut. Munich 1937 — l'Art Diffame, l'Art Acclame.Photographs, documents, reproductions and originals evoke the shock of the *famous pre-war confrontation* of two exhibitions opposing the avant-garde artists who have since become the great names of modern art, considered as degenerate, and the traditional German painters, all clean limbs and moral values in a brutal exercise of Nazi propaganda. 17 Ave d'Iena (47236121). Closed Sat, Sun. Ends June 15.
Galerie d'Art Saint Honoré. 16th and 17th century Flemish paintings. Amid the exuberance of flowers and fruit typical of Flemish still lives, a painting totally different in spirit is the central piece of the exhibition. A young woman holding a dark red carnation gazes at us with such gravitas that the symbols — the prayer book *that of piety*, white linen of purity and a golden chain round her neck of fidelity — become secondary. Painted in 1530 by Bartholomew Bruyn the elder, the work exemplifies the artist's gift for portraying the sitter's inner self. 267, Rue Saint-Honoré (42601503). Closed Sat, Sun and lunchtimes. Ends July 13.

Amsterdam

Van Gogh Museum. Prints, drawings and gouaches illuminate the work of Gauguin's followers who banded together under the name Les Nabis. Ends May 28.
Maastricht, Bonnefanten Museum. The finest of the early Italain paintings in Dutch collections have been gathered together in a show containing works by Duccio, Guido da Siena, Filippino Lippi, Bellini and Carlo Crivelli. Ends July 9.

Brussels

Archives Generales du Royaume. Witches in the Netherlands, 16-17 centuries (closed Monday).
Galerie CGER. The Heritage of the French Revolution 1794-1814. Daily, ends June 11.
Goethe Institute. Graphic Art in German Expressionism. Works by Kandinsky, Klee, Kokoschka and others. Ends June 24.
Bibliotheque Royale: 150th Anniversary exhibition of maps, manuscripts, prints, numismatics, Daily, ends July 15.

Frankfurt

'Je Suis le Cahier', the sketchbooks of Picasso. This exhibition of 40 sketchbooks and around 200 paintings, organised by the New York based Pace Gallery and sponsored by the American Express company, will have its second stop here in Frankfurt on the European tour. These fascinating sketchbooks, owned by Picasso's family have never been shown in public before. All styles and periods in his working life are represented here. These books cover around 70 years of his life; his start in Spain of the turn of the century, the cubism period before the First World War, and followed *by the period from 1920 to 1965.*

Cologne

Bilderstreit. Rheinhallen der Kölner Messe, Messegelände. Deutz. The two organisers Johannes Gachnang and Siegfried Gohr, present "contradictions and contrasts as the essential source for the debate about contemporary art". This exhibition is in contrast to avantgarde: it explains areas of action and attempts to provide an unprejudiced outlook on the current art scene. Approximately 1,000 works by 130 artists concentrate on art since 1960. The show should give a detailed view of different art styles, with "old classics" of modern art next to works by contemporary artists. Among them are Gilbert and George, Kasimir Malewitsch, Blinky Palermos, Carl Andres, Edvard Munch, *Markus Luepertz*, photographers Bernd and Hilla Becher, Joseph Beuys and Dada-ist painter Marcel Duchamp, John Baldessaris and Georg Baselitz. There are also works *from* William Copley's collection by Duchamp, Man Ray, Max Ernst and Rene Magritte. Ends July 2.

Stuttgart

Staatsgalerie, Konrad-Adenauer-Str. 30-32. Salvador Dali: (1904-1989). Stuttgart presents the biggest Salvador Dali retrospective since his death earlier this year, to honour him on his 85th birthday. 350 works from all periods of his working life and from several collections, museums, galleries, from all parts of the world, except the Teatro-Museo in Figueras, his home, are to be seen. The exhibition, organised by Mrs Karin von Maur, who tries to explain howDali's works can combine with the post-modern period, concentrates on his works from the 1930s (surrealism). Among them are pictures which have not been shown in public before. Ends July 23.

Vienna

Messepalast. A thoughtful exhibition, called the History of the Modern Mind, deals with the works of Sigmund Freud as well as the plethora of artists who grew up in Vienna at the turn of the century. Ends August 6.
The Benedictine Monastery in Melk, an hour's drive from Vienna, celebrates its 900th anniversary. Besides a fascinating collection of paintings, books and later, newspaper cuttings, the Abbey boasts the finest baroque *architecture* in this part of Europe. Until November 15.
The Kunstforum, a new art gallery sponsored by the state-run Leanderbank, makes its debut with the *Leopold collection*, a Viennese who bought several paintings by Egon Schiele, one of the leading lights of Vienna's fin-de-siècle, for next to nothing in the 1950s. There are some wonderful Klimt sketches and Kokoschkas. Well worth catching, Ends June.

Rome

Villa Medici. Rayman: photographs by Man Ray. Extraordinay series of experimental photographs, including portraits of *friend and fellow-dadaist* Duchamp, of Giacometti, Andre Bretón, and a compelling youthful portrait of Picasso. His own self-portraits range from the quaint (wearing a turban topped with a starfish) to the deeply pessimistic Object of my Affection (1932), which shows his supposed death-mask lying in a coffin. Ends June 11.
Accademia di Spagna. The Mirós of Miró: More than 100 works by Joan Miró, including ceramics, drawings and watercolours and oils, which had been kept in the artist's *studio* in Majorca until his death in 1983. Until June 4.
Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed by examples of American minimal art (Flavin, Judd, Morris), to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto and Kounellis, ending with some curious examples of German neo-expressionism. Ends Oct 2.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes,Seurat's La grande Jatte, and Renoir's Madame Monet and Son (ends Sept 4).
Palazzo Grassi. Italian Art: 1900-1945. A much-amplified exhibition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Palazzo Grassi, Pontus Hulten.

Turin

Mole Antonelliana. Carlo Mollino (1905-1973): his home town pays homage to this eccentric and eclectic architect and designer, much influenced by surrealists such as Cocteau and Man Ray, who waged a constant battle in the 1940s and 1950s against the reducing of modern design to empty conventionalism. On show are drawings, photographs, letters, and scale models of architectural projects, left by the artist to the city, as well as furniture and *objects* lentby private collectors. The exhibition transfers to the Beaubourg at the end of June (ends June 11).

New York

Whitney Museum. The 65th in the long series of Annuals and Bienniales features a large group of lesser-known artists among the 80 represented on three floors of galleries. Ends July 9.
Metropolitan Museum of Art. Goya and the Spirit of Enlighten*ment* explores 160 of the artist's works in relation to his impact on contemporaries and the rationalist modernisation of Spain. Ends July 16.
Guggenheim Museum. More than 100 paintings and drawings by contemporary Austrian artist Arnulf Rainer reveal the unique imagery of a mystic vision translated into an *abstract idiom*. Ends July 9.

Washington

National Gallery. More than 160 objects from the Fitzwilliam Museum in Cambridge include paintings by Titian, Guercino, Rubens, Van Dyck and William Blake. In addition illuminated manuscripts, ceramics and bronzes show off a collection that is considered "perhaps Britain's pre-eminent museum." Ends June 18.

Chicago

Art Institute. Master drawings from the Teyler Museum, the *oldest* in Holland, include nearly 100 works of two centuries by Michelangelo, Raphael and Rembrandt.

Tokyo

Idemitsu Museum. Ceramics from China. Splendid loan exhibition from the Art Institute of Chicago featuring carved ornaments, ceramic water pots and incense burners, and ranging from the neolithic period to the Qing Dynasty. Closed Mondays.

ARTS

Mark Beudert and Janis Kelly

Tango Varsoviano

COTTESLOE THEATRE

The National Theatre's international season kicks off in the Cottesloe with an intriguing, hypnotically performed dream tango from the Teatro del Sur in Buenos Aires. The "Warsaw Tango" by Alberto Felix Alberto, founding director of the company, is a virtually wordless ballet in which a domesticated drudge, Amanda (Monica Lacoste), listening to a tango on the radio, concocts a scenario of romance and illicit pleasure that she blithely proceeds to invade.

Her minimal kitchen space is juxtaposed with the off-kilter art nouveau gauze panels of the ballroom, through which we glimpse a voluptuous diva (Adriana Diaz) toying with and deriding a macho floorwalker suitably dubbed "The Magnificent" (Luis Solanas). Cards and bubbly come into it. Shadows and blackouts suggest both hidden meaning and a forbidden paradise.

Meanwhile, a parallel adventure is undertaken by Amanda with a white-suited immigrant Pole (Cesar Repetto), who is sombrely characterised by Chopin's most anguished piano prelude. That piece is a programmatical footnote to the siege of Warsaw, and the love affair develops along a similar dependence on our imaginative investment in expressive evidence. Under the house-coat, a glimpse of stocking hints at diva potential, while the Pole's slice of bread conjures in an instant a world of material complicity.

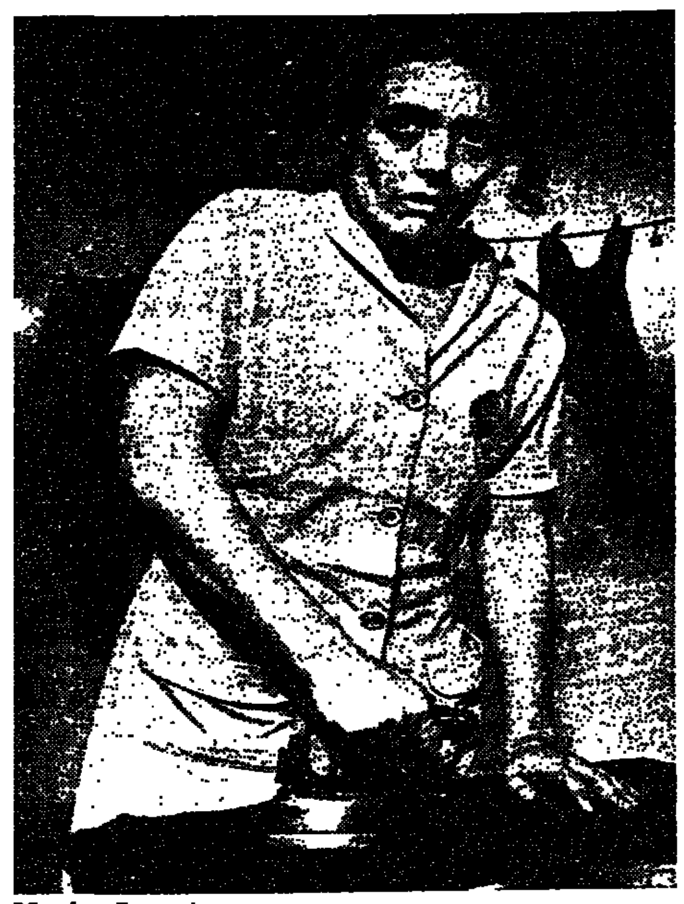
Half way through, the gauze panels are flung open, a modestly stunning coup de théâtre, after which the coloured lights of the entertainment world – and the dance hall seems to be a crucial adjunct of the circus – are superseded with the blank grey of the mundane antidote. That world is now the melodramatic stalking ground reminiscent of an Agnes De Mille Hollywood dance programme. Slaughter is committed in a red glow, the victim falling down on the opposite side of the stage.

The jerking violence of the initial copulative bargain was merely the first of several graphic and shocking interventions: the diva's breasts are fondled in the dance-hall; the diva invades the kitchen and kicks over her auditor's furniture; Amanda joins the circus, strips off and dons a slinky gown. Each woman has expunged the man of, and from, her dreams.

Overall lies the insidious lilt of the dance music which is continuously strangled at birth, just as each scene flicks up and out like an image in a magic lantern show. When the tango is finally danced, the execution is appropriately breathtaking. Needless to say, the show is like nothing at all in the British theatre and, in the wordless mime stakes, nothing like Marcel Marceau. It is elegant, arrogant, sexy, dangerous, and amazingly well lit.

I can only come up with two comparable predecessors: the fantastic tribute to Argentinian tango by the great Japanese perfomance artist Kazuo Ohnu; and the savage mimetic amours of the Tattoo Theatre of Yugoslavia. A far cry, certainly, from NT O'Casey and Shakespeare. Catch it until Saturday, then the caravan moves on to the Leicester Phoenix.

Michael Coveney



Monica Lacoste

Street Scene

THEATRE ROYAL, GLASGOW

The tenth of Kurt Weill's American stage works – *Street Scene* of 1947, a "Broadway opera" – opened in Glasgow on Tuesday, receiving at long last its first full-scale British professional production.

This must count as a red-letter day in British opera, for the work is of astonishing richness, teeming with vitality and blazing with compassion, positioned at that rare but infinitely rewarding point where genuinely popular musical theatre meets opera to produce a masterpiece. The splendid 1983 student staging at the Royal Academy of Music paved the way; now Scottish Opera, fired by the joint Weill enthusiasm of its music director, John Mauceri, and of the show's producer, David Pountney, have added the work to the repertory and to their list of shining good deeds.

In this work, the new theatrical style that Weill had consciously sought in America came to maturity; as the composer himself said, "Not until *Street Scene* did I achieve a real blending of music and drama." The cross-section of tenement life drawn from the 1929 Elmer Rice play by Langston Hughes, the librettist, offered him a kind of *tableau vivant*, in which the intricate backdrop of minor characters going about their daily business throws into relief both bold and subtle the main tale of the unhappy Maurrants and their daughter Rose.

The ancestor of *Street Scene* is *Porgy and Bess*; both the family likenesses and the wholly positive influence of that earlier popular American masterpiece are easily recognized. But it is through awareness of the work's familiar features – the Broadway-type orchestration, brilliantly re-invented by Weill, the situations and sentiments of time-honoured usage – that one comes to appreciate its startling originality.

All of Weill is in *Street Scene*. The Singspiel-descended succession of speech and song moves with masterly fluency; and the sheer stylistic plurality of the numbers – which stretches from the cod-opera Ice Cream Sextet and Mrs Maurrant's Puccinian opera aria, through the various shades of popular song, to a classic Broadway song-and-dance show-stopper and back again to the powerful mourning choral ensemble of Act 2 (in which the Berlin Weill is best recalled) – fleshes out a world of music-drama complete and indissolubly whole.

It used to be received opinion in higher musical circles that the Broadway Weill was a sell-out, a tragic loss to serious music. We know better now. To write a successful popular opera is to be deadly serious: you need a comprehensive command of theatrical styles allied to a comprehensive range of musical gifts, and in every respect this is one of the handful of successful popular operas. It pleases (those tunes!) and it moves, but it does not preach; its vision of life at the lower end of the city is at once a period piece and piercingly, at times painfully modern.

Normal life, abnormal death, eviction and a general sense of contained pessimism lie side by side; and after ten years of Thatcherite Victorian Values, Glasgow and London audiences may well find the question posed by Sam Kaplan, the "conscience" of the opera, newly and uncomfortably pertinent: "Why do we go on living in this sewer?" The luminous humanity of the opera itself provides one possible answer.

On Tuesday, the Scottish Opera *Street Scene* proved to be a superb show not completely out of the chrysalis. Mauceri, who conducted the magnificent 1979 production at the New York City Opera (my own first exposure to the work), lavished love, expert knowledge and acute sympathy on every note and phrase; but, especially at the start, one craved a sharper rhythmic outline and stronger forward movement, less rhapsodic lingering, and certainly less frequent covering of the voices. Many of the spoken words and too many of the sung ones want more forceful projection into the audience. More hard selling, Broadway style, would not come at all amiss.

Pountney's production, in a set (by David Fielding) that blends the naturalistic and the fantastic, the "local" New York and the symbolic, is as one would expect – a first-rate piece of *mise-en-scene*. Characters and incidents are exactly placed, and will surely flower more vividly in later performances. The single weakness is a familiar Pountney tendency to gild the lily: the wit of the Ice Cream Sextet is submerged in added routines, and the smooth seductiveness of "Wouldn't you like to be on Broadway" (and of Alan Oke's stylish, idiomatic Harry Easter) must compete with flashing neon signs. A passing beggar fishes a cigarette butt out of the gutter, and once again one feels a nudge from the elbow of this producer's Social Conscience.

These are mild irritations, and they are outweighed by a plethora of pleasures. The three Americans in the cast – Kristine Ciesinski (a perfect and heartbreaking Anna Maurrant), Mark Beudert (a gawkily tender, lyrical Sam), Spiro Malas (an ideally raw, simmering Frank Maurrant) – command the idiom with absolute security, but so too does Janis Kelly, a beautifully delicate and subtle Rose in spite of a certain shortage of middle-register power. Among the many smaller roles, some still too reticently delivered, the contributions of Meriel Dickinson, Anthony Mee, Elaine McKillop and the whizzing song-and-dance team of Susie Lee-Hayward and Philip Gould are outstanding.

This *Street Scene* is a co-production with ENO, and, after its Scottish opera tours, comes in August to the Coliseum, where it should look and sound even better than it does in the Theatre Royal. Wherever it goes, however, it is not to be missed.

Max Loppert

Don Quixote

DERNGATE, NORTHAMPTON

The Royal Ballet of Flanders is here on a brief visit, playing in Northampton this week, Bournemouth next. The repertory consists of one of the company's trump cards, Nureyev's jolly version of *Don Quixote*, which allows the troupe to bounce and sparkle and indulge in those proud and affronted glances which are the stock in trade of stage Spaniards. I have reported with pleasure on the Flanders' ebullient account of the piece from their home theatre in Antwerp. On Tuesday night, the Derngate Theatre's stage – excellent for dance – allowed them to give full reign to those qualities of enthusiasm, bright and energetic steppings, which are so necessary if the piece is to make sense.

Nureyev's production does not even pretend to make sense of the nonsense that is the now accepted text of *Don Quixote*. What it proposes is a torrent of dancing, classical or mock-Hispanic and merry as can be, which lets the dancers unleash masses of charm and bravura. The narrative is cursory to a point of non-communication, and illogical as any enemy of ballet could wish, but this matters not at all. What matters, and what the Flanders cast knows and shows, is sparky playing and and bold physical effects.

So the square in Barcelona teems with operetta life, with good character playing (and some definitely not so good), and a dance manner that appeals by its clarity of outline and generosity of shape. There is nothing demure about the Flanders style. It is full-bodied, and on Tuesday it evidently took fire from the presence of a guest Basilio. This was Irek Mukhamedov, on brief leave from the Bolshoy, and in marvellous form. In the general run of his leading roles, from Albrecht in *Giselle* to Boris in *The Golden Age*, he shows nobility of feeling everywhere matched by nobility of means. Even in his darkest interpretations – as Ivan the Terrible, for example – there is something grandiose to his playing, as always to his dancing.

But as Basilio we are shown the sunniest and most resourceful of comedians, tearing into the role and into the dances, with a buccaneer glint in his eye and irresistible humour. Movement is huge in shape, electric with power; the characterisation is easy, utterly beguiling. But this is nowhere a "guest star" performance: Mukhamedov is part of the Flanders team – captain, perhaps, but not dictator – and they, and we, respond with delight to his leadership. This is an ideal account of the role, and fortunate the Kitri to dance with him. The ballerina on Tuesday was Dawn Fay, fleet and elegant in manner.

The evening was, in sum, a memorable one: for Irek Mukhamedov's dashing, dazzling presence, of course, but also for the real and valuable abilities of the Flanders artists, and for their dedication to galvanising *Don Quixote* into real theatrical life.

Clement Crisp

Cecilia Noble

Take Back What's Yours

WAREHOUSE THEATRE, CROYDON

Jacqueline Rudet's *Money to Live* established a humorous and sharply perceptive observer of black life in Britain, especially the life of black women, all of five years ago. Morefresh and thoughtful plays followed at the Royal Court's Theatre Upstairs.

It comes as something of a shock to find that she is still only 26. And it is slightly alarming to find her reworking other men's plays for a West Indian setting: she should work her own seam rather than fall into the trap of slapping a change of climate and syncopated speech rhythms on someone else's ideas and expecting a fresh statement to emerge.

The least successful element in her new piece, in fact, is the faithfulness of her adaptation of Arnold Wesker's *Roots*. Beatie returns to her rural home in Dominica – from where or what life-style is never sufficiently clarified. There is little sense of contrast between the homecoming would-be intellectual sophisticate and her family: sister Jenny, with her mysteriously fathered illegitimate offspring, and Jimmy, the hardworking farmer who loyally married her and accepted her children.

Beatie's cultural and political burgeoning under the tutelage of the unseen Ronnie, whom she imagines will marry her, is expressed only by a few platitudes on the Third World and the environment. Cecilia Noble never convinces as an aspirant intellect, least of all when Anthony Cornish's production has her clambering self-consciously on to a barrel for such exclamations as "Questioning! Questioning! Questioning!"

The author's style unwarily stumbles into the over-articulate, even for the presumably less articulate characters. "Love! What an insignificant expression!" exclaims Jenny the drudge when not lilting through the more real-sounding "You feel better expressing your mouth." And the family crisis when the children's unknown father is identified is both clumsily contrived and unnecessary.

Where the work scores, and reassures us that Ms Rudet has not gone soft, is in the final show-down between a finally jilted Beatie and her mother. Ms Noble is magnificent in wounded misery and anger, dredging deep into family life for old scores to settle and old reproaches to hurl in apportioning blame for her own inadequacy. The scene is fiercely played (with Cleo Sylvestre) and tautly, burningly written.

If the rest had shown this directness and passion the play would have been a considerable achievement. As it is, an engaging cast throws up notably good performances from Irma Inniss, gently touching as the work-bound Jenny shamed by her sister's new affluence, and Alan Cooke whose presence, authority and intelligence as her lovingly exasperated husband mark him out. Michael Pavelka's set, like the production, fails to establish an atmosphere, a past or even a consistent present, with its naturalistic porch, wall-less kitchen and backcloth painted with marine life. And the perfunctory use of the odd sound effect (the sea, the roar of earthquake tremors) merely underlines its artificiality. The last scene generates enough elemental energy on its own.

Martin Hoyle

ARTS GUIDE

May 26-June 1

OPERA AND BALLET

London

Royal Opera, Covent Garden. The latest showing of the splendidly exotic Andrei Serban production of *Turandot* is well conducted by Stephen Barlow, but the cast (Olivia Stapp, Lando Bartolini, Yvonne Kenny) is uneven.

English National Opera, Coliseum. The newest world premiere at the Coliseum is David Blake's comic chamber opera, *The Plumber's Gift*. Lionel Friend conducts, Richard Jones is the producer, and the cast includes Sally Burgess, Eiddwen Harrhy, and Ann Howard. Further performances of Elijah Moshinsky's quirky production of *The Mastersingers*, with Gwynne Howell, Alan Opie, Alberto Remedios and Jane Eaglen, and *Don Giovanni* in Jonathan Miller's dark, handsome staging, with Steven Page in the title role; final showing of the new, unsatisfying Graham Vick production of *Eugene Onegin*, with Jonathan Summers and Susan Bullock.

Royal Ballet, Covent Garden, continues with its new acquisition of full-length La Bayadere on June 1, 3, and 6.

Sadler's Wells the American dancer/gymnast troupe, Pilobolus, opens on June 6. For fans only.

Paris

Opéra. York Hoeller's world premiere of *Le Maitre et Marguerite* conducted by Lothar Zagrosek/John Burdekin in Hans Neuenfels's production is inspired by Mikhail Bulgakov's novel describing the Devil on the loose in Stalin's Moscow (47425371).

Grand Palais Des Champs Elysées. Bejart Ballet Lausanne presents in the framework of *La Danse en Revolution* the world premiere of *1789...et nous* with choreography to music by Theodorakis, Wagner, Ravel and African folk music (48787515).

Palais des Congres. *The Queen of Spades*. Warsaw Opera's orchestra and choir conducted by Robert Satanowski. Régine Crespin, Raisa Kotowa of the Bolshoi and Krystyna Szostek-Radkowa alternate in the role of the Countess. Porte Maillot (bookings 47581404, info 47581333).

Brussels

Théâtre Royal de la Monnaie. *L'Incoronazione di Poppea* by Monteverdi with Catherine Malfitano as Poppea, Marek Torzewski as Nerone. The orchestra of the Monnaie conducted by Sylvain Cambreling, orchestrated by Philippe Boesman, staged by Luc Bondy (Wed).

Netherlands

Netherlands Opera. Double bill of Ravel's *L'Heure Espagnole* and Falla's *El Retablo de Maese Pedro* directed by Helmut Polixa. Kenneth Montgomery conducts the Netherlands Philharmonic, and the casts include Anne Howells, Hein Meens, Gilles Cachemaille and Thierry Dran Muziektheater, Amsterdam (Fri, Sun) (255 455); Schouwburg, Rotterdam (Wed) (411 81 10).

Netherlands Opera. New production of *Simone Boccanegra* conducted by Graeme Jenkins with Henk Smit in the title role. Muziektheater, Amsterdam (Thur).

Vienna

Staatsoper, in repertory: *Il Viaggio a Reims*, conducted by Claudio Abbado, with a cast including Cecilia Gasdia, Noriko Sasaki and William Matteuzzi. *Maria Stuarda*, conducted by Ion Marin, with a cast including Agnes Baltsa, Mara Zampieri, Georg Tichy, Alexander Maly. *Chowanschtschina*, conducted by Claudio Abbado and sung by includes Ludmila Schemtschuk, Brigitte Poschner-Klebel, Joanna Borowska (51444, ext2660).

Volksoper. *Ein Nacht in Venedig* conducted by Claudio Abbado; *Die lustige Witwe* conducted by Konrad Leitner; *Kiss me Kate*, conducted by Herbert Mogg (1444, ext2662).

Rome

Teatro Dell'Opera. Lively production by Mauro Bolognini of Francesco Cilea's Adriana Lecouvreur, conducted by Daniel Oren. Raina Kabaivanska is excellent as the tragic heroine, with a fine supporting cast which includes Alberto Cupido, Ivo Vinco (80.91.26).

Milan

Teatro Alla Scala. American soprano, Kallen Esperian sings the title role in Verdi's *Luisa Miller*, taking over from Katia Ricciarelli who was roundly booed by the gallery at the opening performance on May 2. Also in the cast are Giuseppe Giacomini, Paata Burchuladze, Susanna Anselmi and Alberto Cupido, conducted by Zoltan Pesko. Also Francesco Cilea's *Adriana Lecouvreur*, with Mirella Freni, Peter Dvorsky and Alessandro Cassis, conducted by Gianandrea Gavazzeni (80.91.26).

Teatro Lirico. Choreographic workshop: *La dea delle Acque* danced by the splendid Luciana Savignano and Alessandro Molin with Mario Pistoni's *La Strada* to music by Nino Rota (composer of the music for Fellini's film) with Oriella Dorella, Alessandro Molin and Angelo Moretto (86.64.18).

Florence

Teatro Comunale. Sandro Sequi's production of Bellini's *I Puritani*, using sets based on designs made by Giorgio de Chirico for the first Maggio Musicale in 1933. The excellent cast includes Chris Merritt, Luciana Serra, Dimitri Kavrakos, Paolo Coni and Gloria Sciachi, conducted by Bruno Bartoletti. (2779236).

Berlin

Opera: Theater des Westens. *Rigoletto* in Hans Neuenfels'production features Angela Denning, Ingvar Wixell in the title role and Victor von Halem. Also a ballet evening *Les Intermittences du Coeur*, with choreography by Roland Petit.

Hamburg

Opera. Wolfgang Rihms's opera *Die Hamletmaschine*, producedby John Dew is an important contribution to the development of modern opera. *Othello* has a star cast led by Gabriela Benackova, Hildegard Hartwig, Wladimir Atlantow and Pierro Cappuccilli. *Peer Gynt*, specially composed for Hamburg by Alfred Schnittke has John Neumaier choreography.

Cologne

Opera. Rossini's rarely performed one act operas *La Cambiledi Matriomonio* and *Il Signor Bruschino*, produced by Michael Hampe has fine interpretations by Amelia Felle, Janice Hall, Alberto Rinaldo, John del Carlo and Alessandro Corbelli. *La Traviata*, conducted by Sir John Pritchard is well sung by Barbara Daniels, Fernando de la Mora, Wassili Janulako and Erlingur Vigfusson. Cologne honours the great producer Jean-Pierre Ponnelle, who died last year, by restaging the complete Mozart cycle of seven operas, all produced by him. This week's performance is *Don Giovanni* with Ferrucio Furlanetto outstanding in the tile role.

Frankfurt

Opera. *Iphigenie in Aulis* by Gluck will have its premiere this week. The new Uwe Schwarz production features Pia-Marie Nilsson, Frederick Burchinal, Renate Behle. The successful Graham Vick production of *Cosi fan tutte* is revived. *Rusalkais* respectable with Eva Randova, Clarry Bartha, June Card, Manfred Schenk and Allan Glassman. *Rigoletto* has Jonathan Summers in the title role for the first time.

Bonn

Opera. *Ariadne auf Naxos* stars Edita Gruberova, Helena Doese, Peter Lindroos, Richard Cowan, William Murray and Susanne Mentzer. *Die Entführung aus dem Serail* returns with a new cast led by Sylvia Greenberg, Isolde Siebert, Hans Peter Blochwitz, Wilfried Gahmlich and Jaako Ryhaenen. Also the new Youris Vamos/Michel Scott ballet production *Carmina Burana*.

Munich

Opera. Three operas from the Ring cycle, *Das Rheingold/Die Walküre/ Siegfried* all conducted by Wolfgang Sawallisch. The main parts are excellently sung by Mariana Lipovsek, Kurt Moll, Sabine hass, Hildegard Behrens, Rene Kollo and Robert Schunk. *Rigoletto* has a first rate cast led by Francisco Araiza, Mariella Devia and Juan Pons. Also in repertory: *Il Barbiere di Siviglia*.

New York

American Ballet Theatre. The week features the new production of Clark Tippet's *Rigaudon* and all-Tharp programmes of *Bum's Rush, Everlast* and *Quartet*, set to music by Dick Hyman, Jerome Kern and Terry Riley. Season ends July 1. Lincoln Center Opera House (362 6000).

New York City Ballet. The 90th New York season continues with mixed programmes featuring *Swan Lake, Midsummer Night's Dream* and *Slaughter on Tenth Avenue*. Ends June 25. Lincoln Center, New York State Theatre (877 4700).

SALEROOM

New high for American art

The salerooms in New York are having a record breaking month and this time it was the turn of American pictures to scale the peaks. Sotheby's auction of American art on Wednesday totalled £24.2m ($37.2m), a record for the sector. In all ten lots sold for over $1m, and the highest price paid $8.25m (£5.3m) for "Home by the Lake," an idyllic scene of the Catskill Mountains painted in 1854 by Frederic Church, set a new high for any 19th century American painting. It was bought by the Alexander Gallery of New York.

The same buyer paid £1.7m, another artist record, for "Platte River, Nebraska," by Albert Bierstadt, a peaceful rural landscape, and a private American collector gave £1.2m for "Second Beach Newport" by Worthington Whittredge. The Church and the Whittredge were sold by the Walker Art Center to raise money to buy contemporary art, and the Bierstadt was disposed of by the Jones Library of Amherst, Mass. to fund an expansion to its library. In the US there is none of this obsession with hanging on to every old bequest to a museum.

The £1.2m paid by the Berry Hills Gallery of New York for "Telegraph Hill", a 1896 view by Maurice Prendergast, set a new record for any American watercolour.

Sotheby's also recorded nine auction artist records in its contemporary art sale in London. The top price was the £121,000 for "Les quatre generaux" by Manolo Millares, which had carried a £25,000 top estimate. An iron and conglomerate shape by Lynn Chadwick, "Conjunction 5", executed in 1957, made a record £99,000.

Christie's sold 19th century European pictures in New York on Wednesday for £5.175m, and secured a record price for a painting by the French artist Jean Béraud of £1.52m for "Le bal public," his 1880 masterpiece depicting Parisians at play at an open air dance. In a special sale of Barbizon art a Corot landscape made £448,407.

Back in London the best price in a Christie's auction of English furniture yesterday was £35,200 for a William IV mahogany breakfront library bookcase (top estimate £10,000), while at Sotheby's toy sale a collection of Japanese robots of the 1950s and 60s brought in over £30,000, with a top price of £1,540 for a Nomura "Merchanised robot" of around 1957. A Victorian dolls house beat its forecast at £21,450. It has four rooms all fitted out in the early 1880s. A larger Circle and Dot Bru doll of around 1875 was on target at £17,600.

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Shadows over Nato summit

THE 40th anniversary Nato summit in Brussels at the beginning of next week would be an occasion for self-congratulation if it were not overshadowed by a bitter dispute over the nuclear defence of Europe. The disagreement over whether the Western Alliance should envisage negotiations with the Warsaw Pact on the reduction of short-range nuclear weapons based in Europe strikes at the very heart of Nato's strategy of flexible response.

Important as it is, however, the quarrel should not be allowed to cloud a celebration of what has been achieved by Nato since its foundation in 1949. The Alliance, which successfully embodied the West's determination during the long years of the cold war to defend itself against the military and political threats from the Soviet Union and its allies, can pride itself on having contributed to the longest period of peace in Europe since the Middle Ages.

Twin strategy

Thanks to its twin strategy of combining military preparedness with a willingness to negotiate with the Warsaw Pact, it has played a crucial role in the arms control process. The strategic arms reduction talks, the conventional force negotiations and, not least, the 1987 agreement on the abolition of land-based medium-range nuclear missiles, are all the product of joint positions forged within Nato. If the negotiations on reducing nuclear weapons have been conducted, so far at least, only by the US and the Soviet Union, Washington has always sought the backing of its Nato allies for its arms control policies. The determination to present the Warsaw Pact with a common Western position, however difficult that has sometimes proved to achieve, is what has given the Alliance its strength and authority.

The fundamental strategic consensus on which these common positions have always been based is now threatened, in the eyes of some of Nato's most important members, such as the US and Britain, by West Germany's desire to begin negotiations with the Soviet Union on reducing short-range nuclear arms in Europe. The US and Britain are strong defenders of the concept of nuclear deterrence which, they argue, is the main reason why global conflicts have been avoided for such a prolonged period. They contend that any negotiations on short-range nuclear weapons would inevitably lead to the denuclearisation of Europe, thus eliminating the essential element of deterrence and underlining the Warsaw Pact's superiority in conventional forces.

Public opinion

That may be a convincing intellectual argument, but it is the West Germans who have to face the practical consequences of agreeing to station short-range nuclear weapons, which would be used mainly on West and East German soil, within their borders. The Government in Bonn, which has recently suffered a series of regional election setbacks, cannot ignore a strong body of domestic anti-nuclear public opinion. However reluctantly, West Germany's Nato partners will have to take account of this political reality.

That is something that appears to have been understood better by the US Administration than the British Government. The elements of a compromise, under which Nato would delay any negotiations with the Warsaw Pact on short-range nuclear weapons pending an agreement on substantial cuts of conventional forces in Europe, have already been proposed by Washington. Such a formula would make it plain that, for the foreseeable future, the complete abolition of short-range nuclear weapons is not on the agenda. It would thus preserve Nato's basic strategy.

West Germany may still need some persuading, but there is room for quiet diplomacy between friends, which is what the allies are. It would be a bad omen indeed if the spirit of compromise that has characterised the Alliance in past crises should fail it on its 40th anniversary.

Rags to riches

WEST GERMANY'S post-war economic miracle may have lost some of its lustre in recent years. But the ability of German companies in traditional sectors to overcome the impact of high wages, heavy social costs and adverse currency movements continues to impress.

Some insights into this achievement are contained in a study of the West German and British women's clothing industries by the National Institute of Economic and Social Research. While most clothing producers in Britain still mass-produce cheap standard items, their German counterparts have generally abandoned such production to concentrate on the upper end of the market. This might seem like a gesture of defeat by German producers. Yet they make as many garments as the British, more of them are exported and their productivity and efficiency are far superior.

UK producers' emphasis on long runs of cheaper products partly reflects demands from the big high-street retailers, which control more of the home market than in Germany. However, the National Institute's findings shows that most of the British industry has no real choice because it is constrained by its own shortcomings from diversifying into anything else.

The Germans' decisive advantage lies in the skills of their employees, whom the study finds to be far more proficient, reliable and versatile than their British counterparts. Whatever handicap the German industry suffers in higher wages is offset by greater attention to quality, service and the adaptability of workers.

As in previous studies, the National Institute pinpoints training as the crucial factor. Most German employees undergo formal apprenticeships which teach them a broad range of skills. British workers are largely untrained, and their rigid limitations can only be overcome by costly on-the-job training.

This is an all too familiar story in British industry. What appears to be missing is not just a commitment to adequate training, but a proper appreciation of what training can offer. It is often regarded simply as a way to get the same job done better. In West Germany, by contrast, it is viewed as a means of instilling professional ethics and self-reliance – and as a dynamic component in furthering industrial change.

Industries in developed countries may continue, for a while at least, to survive in mass markets subject to intense price competition by employing untrained and relatively poorly paid staff. However, this is a precarious form of living which makes only a limited contribution to national prosperity.

Clothing may be an extreme example. But it has wider relevance, not least to the Government's hopes of using inward investment, particularly from Japan, to make good UK industry's skill deficiencies. Japanese companies have much to contribute to improved working practices. But their UK investments are mostly assembly operations, attracted by low-cost manual labour. When they locate in Europe activities with a greater value-added component, which depend on higher skill levels, West Germany is often the first choice.

Towards £1m

NO ONE WILL be surprised that Mrs Sonia Sutcliffe, the wife of the Yorkshire Ripper, won her libel case against Private Eye. The magazine scarcely even offered a defence of its allegations that she had made a deal to sell her story to the Daily Mail.

It is a huge leap, however, from accepting the judgment in principle to swallowing the size of the damages awarded. The sum of £600,000 is large by any standards; there must be some question of whether it is out of proportion to the damage done to Mrs Sutcliffe.

There must be a question, too, of whether a jury should determine the sum on its own without more precise guidance from a judge. The only obvious logic in the Sutcliffe award is that it is higher than the previous record – £500,000 to Mr Jeffrey Archer – and that jurors are venting their fury on a miscreant press by a process of escalation.

The Government is about to appoint a commission of inquiry into the law relating to the media. The operation of libel law should be high on the commission's agenda.

Alan Cane reports on the pressures which will fundamentally reshape Europe's computer industry

A high-tech high noon approaches

Europe's leading computer manufacturers are about to undergo a burst of rationalisation which will fundamentally reshape the industry, leaving it leaner, more efficient and better equipped to compete globally with US and Japanese suppliers.

Rumours of acquisition plans and joint ventures are rife: last month's example – dismissed out of hand by both parties – had Siemens of West Germany looking to take a stake in International Computers (ICL) of the UK, part of the STC group.

Speculation has been fuelled by the fact that senior executives from the major players – ICL, Siemens, Nixdorf and Comparex of West Germany, Olivetti of Italy, Bull of France, Philips of the Netherlands, Norsk Data of Norway and Nokia Data of Finland – are virtually in standing conference on the future of the industry. Mr Arthur Walsh, chairman of STC, has confirmed that ICL had had discussions with Olivetti and Nixdorf "among others."

The need to expand outside narrow national markets, to find economies of scale in manufacturing, to share the rocketing costs of research and development and to prepare for the single European market in 1992 are among the conventional justifications for rationalisation. To date, however, there has been more smoke than fire, although Siemens and BASF formed Comparex – a joint venture marketing Hitachi mainframes in 1987 – Bull emerged as the dominant partner in Honeywell Bull (now Bull HN) and Nokia bought L.M. Ericsson's Data Systems business in 1988.

Now, it seems, the Europeans have decided that the map must be redrawn more drastically and with some urgency.

The spur is their perception that the computer industry worldwide is going through changes more profound than any in its short history. A consequence is unprecedented pressure on gross margins and therefore on the justification for remaining in at least some areas of computer manufacturing. Unisys of the US, for example, which brought together Burroughs and Sperry in the industry's largest example of rationalisation, has already come to terms with this phenomenon, continuing to make its own proprietary mainframes but buying in smaller machines from Mitsubishi, Sequent, NCR, Computer Consoles and Convergent Technologies (which it finally acquired).

Mr Robb Wilmot, former managing director of ICL and now an independent consultant, predicts a tough five years ahead for everybody. He points out that the industry is used to gross margins of between 60 and 70 per cent. It will have to learn to live with margins about one third lower, he says.

The spread of personal computers and high performance workstations has generated other changes. The US journal Datamation estimates that companies based in Europe now have about half the European market, compared with only 34 per cent in 1984. But it has become a different game.

There is no longer a single, more or less homogeneous computer market of the kind which existed in the 1970s and early 1980s and which was dominated by International Business Machines (IBM). Instead, a series of specialisations is emerging, each with its market leader. Compaq Computer of the US leads in high performance personal computers, while Sun Microsystems leads in engineering workstations. IBM, despite being five times the size of its nearest rival through its strengths in mainframes and mid-range machines, is no longer sole industry leader but one among many.

This explains the paradox of an industry apparently reaching maturity while at the same time changing more quickly than ever before. The mainframe business, with its heart in the corporate data centre, is indeed maturing, growing at less than 10 per cent a year, but new styles of business data processing based on smaller, cheaper machines are emerging to drive overall industry growth at about 15 per cent.

In these new and unsettling conditions, the internationally competitive, the financially sound, the innovative and the flexible companies will be best placed to weather the storm. European manufacturers fall short on at least half and sometimes all of these criteria, in the following ways.

● They are traditionally and costly tied to their national markets. They have difficulty competing in other European countries, let alone globally in the manner of an IBM or a Digital Equipment.

● They are lacking in commercial innovation. Over the past two decades, almost every innovation of importance in commercial data processing has come from the US.

● They are vulnerable to softness in their home markets. Both Nixdorf of West Germany and Norsk Data of Norway, previously held up as shining examples of how to compete effectively against the Americans, produced poor figures last year when expected sales failed to materialise. The two companies found themselves saddled with costs out of line with their incomes and both have had to implement drastic cost-cutting strategies including redundancies.

● They are slow to react to fundamental changes in the industry. Nixdorf and Norsk Data's problems were compounded by their resistance to moving away from their proprietary computer designs – which had been very profitable – to the industry standard designs which customers are increasingly demanding.

The move to industry standard systems, together with technological change and the globalisation of trade, are the principal trends driving down margins in the computer business.

European manufacturers have been at the forefront of the pressure for industry standard or "open" systems. Now US, and to a lesser extent Japanese companies, are in the running.

Essentially, open systems is an attempt to persuade hardware and software vendors that everybody's – not least the customer's – interests would be best served by an industry in which computers from different manufacturers could easily be connected together and software written for one design of computer would run on any other.

Underlying the Europeans' enthusiasm for open systems was a belief that it would "level the playing field" giving them a fairer chance to compete against the big US companies.

ICL was among the European pacemakers. Robb Wilmot says: "There was a feeling that if you made the running in a new market, you could win it. But it has proved to be more of a marathon. US and Japanese manufacturers have leapt in."

The result is that small and medium-sized computers are already commodity items, based on standard semiconductor chips and running standard operating software. Soon they will be simply components to be mixed and matched to meet customers' needs. This trend is being accentuated by developments in semiconductor technology. The semiconductor manufacturers Intel and Motorola, makers of the most popular microprocessors used today, have become to all intents and purposes computer designers to the world. Their most powerful chips are complete computers engraved on fragments of silicon.

Further pressure on margins in Europe will result from the steady harmonisation of pricing policies as international customers refuse to pay artificially inflated European prices. Some customers are already buying their systems in the US and importing them more cheaply than they can buy in Europe. IBM has substantially brought its US and European prices into line. Others will have to follow suit, putting further pressure on margins for European manufacturers and their overseas competitors.

Making industry standard systems has become an unattractive proposition except for those companies which can meet the demands of commodity manufacturing – low production costs, volume sales and effective distribution channels. The rule, therefore, has become to manufacture where it is still possible to add value – examples include mainframe computers with complex hardware and software requirements and special purpose microcomputers – and buy in standard systems where it makes commercial sense.

How should Europe's leading computer manufacturers adapt to these changed and changing circumstances? In the past, they took the role of "national champions," mistakenly modelling themselves on their larger US competitors, while failing to understand that without the benefits of a large and vigorous home market to stimulate and sustain their growth, they were doomed to become an ersatz IBM like ICL or a DEC writ small like Norsk Data.

In consequence, they are caught in an electronic no man's land; too large and inflexible to imitate the thousands of new computer companies creating new niche markets, too small to compete effectively with the global players from the US and now Japan that have a stranglehold on the big systems marketplace.

What sort of computer companies should they become? Most say their aim is to become a "systems integrator," a specialist company which combines the best available hardware and software to tailor a system to a customer's exact requirements.

It is an attractive concept combining the prospect of dominating a specific business area with the the opportunity of adding value to low-cost commodity hardware.

In practice, it demands sound finances, high technical and managerial skills and a profound knowledge of a customer's business.

A number of European players are already showing promise in specific areas. ICL, for example, leads in the UK in retail systems and local authority systems. Nixdorf is strong in the international branch banking business. Olivetti has established itself in building society counter automation and savings banks, while Norsk Data has a good record in the newspaper business.

Mr Regis McKenna, the US-based consultant and entrepreneur, says that systems integration and the domination of niche markets makes more sense these days for European manufacturers than strategies aimed at gaining market share, which were more suited to the computer market of a decade ago.

He says that large computer suppliers will find it increasingly difficult to be all things to all people: "Until large companies find a way to serve diversified, small market niches economically and efficiently, small companies will continue to flourish and gain access to the growth markets of the future."

Against such a background, the rationale for a series of new and innovative links between Europe's major players is clear and unequivocal.

These links could take a diversity of forms – joint ventures, marketing agreements, mergers or acquisitions. The intense activity now shaking up the European electronics sector is perhaps the model.

The need to share the costs of research and development is already recognised in a number of developments including European Community programmes like Esprit and Race and joint initiatives like the artificial intelligence laboratory established by Siemens, ICL and Bull.

The need to gain access to each others' geographic markets could be supported through bilateral marketing agreements. ICL, for example, has a weak presence in West Germany, while Siemens is making renewed efforts to establish its computing activities in the UK – boosted recently by the Home Office decision to award it the contract for the new Police National Computer.

Mergers or acquisitions between the big players are less likely. Apart from the technical and managerial problems of merging corporate cultures across national boundaries, the European players are well prepared to discourage would-be purchasers.

ICL, for example, owned by STC (in which Northern Telecom of Canada also has a stake) has the complication of technical agreements with Fujitsu of Japan. Norsk Data, perhaps the most vulnerable, has a two-tier share structure which would rule out all but the friendliest of approaches.

More obvious targets for acquisition or partnership are the independent computing services companies and the consultancy arms of the big accounting firms. If Europe's computer makers are successfully to make the transition from manufacturer to systems integrator, they will need to boost their applications software skills well beyond what they could hope to achieve through organic growth.

Company	Year	World computer revenues	Home-country proportion
US leaders			
IBM	1988	\$59.6 bn	42.0%
DEC	1988	\$11.5 bn	50.0%
Unisys	1988	\$9.9 bn	54.0%
European leaders			
Siemens	1988	DM7.0 bn	*50.0%
Bull SA	1988	FFr19.4 bn	63.0%
Bull SA+HN	1988	FFr31.5 bn	39.0%
ICL	1988	£1.36 bn	65.0%
Olivetti	1988	L8,407.0 bn	37.5%
Norsk Data	1988	NKr2.85 bn	50.0%
Nokia Data	1988	FM4.9 bn	**64.0%
Nixdorf	1988	DM5.3 bn	52.4%

* Includes factory automation
** Finland and Sweden

Computer sales at home and abroad

OBSERVER

Bad days for Texas

■ The fall of Jim Wright, the Speaker of the House of Representatives, is a terrible blow for Texas pride. If he goes – and the clear indication is that he will resign as soon as terms can be agreed – he will be the first Speaker to have resigned in mid-session of Congress in history. His departure would also remove the most powerful advocate for Texas in Congress, a man able to steer funds, contracts and other largesse toward the Lone Star State in a manner that even Lyndon Johnson would have envied.

Perhaps that accounts for the extraordinary unity of the Texas Democratic delegation behind Wright. It began with Jack Brooks, a pugnacious cigar-chomping 76-year-old, who tried to intimidate the House Ethics Committee earlier this year as its inquiry into Wright's financial dealings gathered pace; and it ended this week with every available Texas Congressman telling the TV cameras that Wright intended to fight on, while – behind the scenes – a deal for his graceful exit (and his pension rights) could be agreed. They fought as if the Alamo was at stake.

Those who have known Wright during his 35 years in Congress insist that his long friendship with George Mallick, a Fort Worth real estate developer and local oil-man, was harmless; they portray him as a victim of partisan Republican politics. Yet the most revealing insight into the affair came with this week's performance by the Speaker's newly-hired attorney: Stephan Susman of Houston, Texas.

Susman told a disbelieving committee that everyone has friends like George Mallick. Everyone does oil deals in Texas, he added, especially lawyers like himself. As for the House rules, well, Wright may have come close to the line, but he never crossed it. In Washington, these days, as Wright is about to discover, this will not do.

Fully exposed

■ Soviet parliamentary democracy, which took its first faltering steps yesterday, is ahead of the British version in one respect. The live television coverage was compulsive viewing precisely because it did not confine itself to the head and shoulders of the person speaking, as the House of Commons proposes. The cameras roamed around the hall, focusing for instance on the intense concentration of the Foreign Minister, Eduard Shevardnadze, when Mikhail Gorbachev was speaking about his trouble-shooting mission to Tbilisi after the massacre last month. Nor did they spare the visible irritation of the chairman, Vitaly Vorotnikov (former Premier of the Russian Federation), when Gorbachev intervened to stop him cutting short debate on Gorbachev's nomination for President. MPs should have a look.

"I hope this cartoon is libellous."

Korean in Paris

■ After four months of uncertainty, the vacant post of musical director of the new Paris-Bastille opera house has at last been filled, with the appointment of Myung-Whun Chung, a 36-year-old Korean conductor.

The appointment is the occasion for serious relief; when Daniel Barenboim was fired in January, in a row over the scale of his remuneration and the elitism of his programming, the international confraternity of front-rank musical artists closed ranks in solidarity, and it looked as though it might be very difficult to find any successor of a stature appropriate to a major new opera house.

On the other hand, it is not yet clear that Chung does have the stature. No one questions his musical talents: he won second prize in the 1974 Chaikovsky piano competition; he has given many performances with his more celebrated sisters, Kyung-Wha Chung the violinist, and Myung-Wha Chung the cellist; and he has conducted a number of major international orchestras, including the Berlin Philharmonic and the Amsterdam Concertgebouw. But he is rather little known on the international musical stage and has only recently starting conducting opera.

His youth may offer two advantages: he has no compromising allegiances on the notoriously quarrelsome French musical scene and he may be more naturally suited by his youth to the assigned task of creating a truly popular opera house.

He will have his work cut out, however. The Opéra Bastille (still under construction) is due to open its doors with an inaugural concert in seven weeks. The opera season proper is supposed to start on January 1, but there is as yet no word of the programme or who will perform it.

Hence the story: "What is the difference between the Opéra Bastille and the Titanic?" "At least the Titanic had an orchestra."

Foggitt's lore

■ The hot May weather is reviving memories for Bill Foggitt, the Thirsk weatherman, who remembers suffering from jaundice as an eight-year-old during a May heatwave in 1922.

On that occasion, he said, London temperatures reached 90 deg F, though the thermometer only got up to 76 deg F in Thirsk. "The third of May 1966 was a much better day, when temperatures reached 80 deg F," said Foggitt.

His conviction that the summer of 1989 could mirror that of 1976 was reinforced this week when Thirsk was hit by a plague of ladybirds. "The last time that happened was 1976, although later in the year," he said. Most of the ladybirds have seven spots on their wing casings, but some have just two spots. He is still puzzling over the reasons for this genetic distinction.

Thirsk appears to be swarming with everything at present. Yesterday it was large black flies, which the locals call thunderbugs because they herald thunder.

Bees have been swarming too, prompting Foggitt to recall a piece of farmers' lore: "Swarm of bees in May is worth a lot of hay: swarm of bees in June is worth a silver spoon; swarm of bees in July isn't worth a fly."

What does this all mean? "I don't really know," says Foggitt.

Definition

■ Confidence: that exquisite feeling of complete assurance before you fall off a ladder.

POLITICS TODAY

The Prudential Labour Party

By Joe Rogaly

There are only two interesting party-political questions in British politics right now. The first is: Can Labour be trusted? The question arises in many minds because there is a lurking doubt about Mrs Margaret Thatcher's ability to win a fourth Conservative victory in a row. That is in large part due to the prevalence of the second question, which is: "Are the Tories making a complete mess of the economy?" If they are, the Prime Minister may come to regret that she did not call it a day and resign on the tenth anniversary of her arrival in office. If she loses in 1991 or 1992 there will be a Labour Government and Mr Neil Kinnock will be sitting in No 10 Downing Street to greet the dawn of the European single market.

I have to say that I still cannot see this happening. Tory backbench restlessness at the Government's economic performance was pretty well *cancelled out* at question time in the House of Commons yesterday by Labour's unease at Mr Kinnock's loss of temper in a lunchtime radio interview. If he cannot keep cool under pressure his outbursts will always be a distraction when the going gets rough.

Anyhow, the idea of Labour winning sufficient seats in the south of England to overturn a 100-plus Tory majority seems to defy reason. If you are horrified by the prospect of Prime Minister Kinnock you can take further comfort from the mathematical exposition of Labour's electoral problem given by the wily Mr Chris Patten a few weeks ago.

Mr Patten, who is not only Minister for Overseas Development but also one of Mrs Thatcher's favoured speech and manifesto writers, points out that since 1945 the largest swing from one party to another at a single election has been 5 per cent. The largest swing to Labour has been 3 per cent. To become the biggest party in the House of Commons after the next general election Labour needs a swing of 6 per cent. To win overall control it needs 8 per cent and more. From Mr Kinnock's point of view the Patten conclusion is formidable: "Labour needs to do twice as well as it has ever done in the last 45 years to stand a chance of forming a coalition with the bits and bobs of the House of Commons, and almost three times as well as it has ever done to govern."

The Government is no longer unquestionably competent

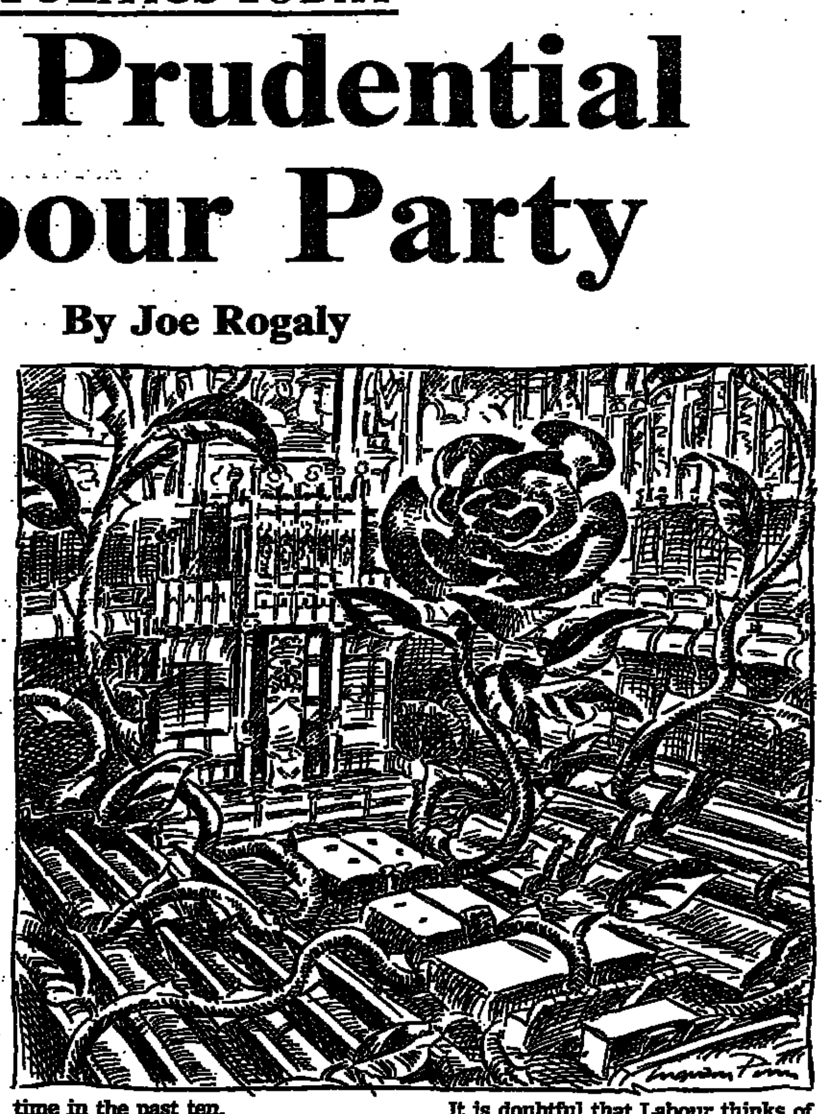
Not impossible, says Mr Patten, but difficult. His Tory colleagues are beginning to ask themselves how difficult. The reason is that at the moment everything seems to be going Mr Kinnock's way.

The rump Social Democratic Party led by the politically inept Dr David Owen is curling up and dying. The Social and Liberal Democrats led by the uninspiring Mr Paddy Ashdown are not visibly reaping much benefit, in part because Mr Kinnock is moving Labour towards the centre, possibly crushing the Democrats as he does so. At the same time, the Government has lost some of its shine: it is no longer uniformly confident, still less unquestionably competent. Its purchase of the 1987 election by allowing the build-up of a credit-driven boom is now being paid for in the form of an economic cycle that may turn out to be impossible to synchronise with the electoral cycle. We may be back to stop-go once again, with the stop hitting the fortunes of the Conservative Party in the pre-1992 polls.

Throw in the Government's simultaneous quarrels with the doctors, the judges, and the Europe-minded members of its own party, add a pinch of water privatisation here and a dash of poll tax there and you have a recipe for a significant turnround in public opinion.

Yet, even if all this is granted, it is insufficient. I still would not believe that Mr Kinnock can complete his mission impossible. To do that he needs to win the trust of a great many floating voters. Labour is aware of this, as can be seen from Wednesday night's party-political broadcast, in which the Labour leader's mostly male colleagues were all dressed like the man from the Prudential. Everyone spoke in tones of the sweetest reason. The leader himself (using only twice as many words as necessary rather than his customary thrice) told us that, yes, Labour had changed its policies, but that, no, that did not mean that it was untrustworthy. "I think that people generally understand that it's not a sign of weakness for politicians, democratic representatives, to change," he said.

What people also understand is that politicians change what they say in order to win votes. If they win, they sometimes go back on their word. It has been known to happen. Labour is changing, before our eyes, from a socialist to a social democratic party. If that plus Tory economic mismanagement enabled it to win, would it then revert to socialism? The question is circular, because if people do not believe that a Labour Government would be a social democratic one, true to its word, there would be no chance at all of victory, even if the Tories turn out to be far more bumbling and accident-prone during the next two years than they have been at any time in the past ten.



A guide to the degree of sincerity of Labour's present mood can be found in a relatively little-noticed section of last week's policy review report. This is the chapter called "a modern democracy" – the one that promises a freedom of information act (but also a statutory Press Council), regional assemblies (with limited powers), and anti-discrimination laws (but no Bill of Rights) and so on. The chairman of the working party that produced this chapter is Mr Roy Hattersley, whose prime motivation has always seemed to me to be the fostering of economic equality, with the freedom of the individual coming second in any trade-off.

Yet the chapter does contain some interesting ideas. I am thinking in particular of the plan to replace the House of Lords with an elected upper house of parliament. The long-run effect of this on the lives of ordinary British people could be of greater importance than many of the other fantastical notions in the policy review document, such as the scheme to create a national broad-band cable network.

It is doubtful that Labour thinks of it that way. Mr Hattersley had to come up with something to meet the consistent demand by many members of his party to do something about the House of Lords. His committee rejected outright abolition, and shied away from reforms that involved appointing either the great and the good or ex-MPs or others to a socialist senate. The only option left was an elected body. The next step was to invent something for it to do. Someone came up with the bright idea that it could be given the strictly limited function of revising legislation sent up by the Commons, as the Lords does now – plus the potentially very significant power to delay bills affecting certain "fundamental rights" for the life of a parliament, so that there would have to be a fresh election before such rights could be reduced or withdrawn.

From Labour's point of view these "fundamental rights" would be limited to a list containing such things as racial and sexual discrimination, or the existence of the proposed regional assemblies. Even then it would be up to the Speaker of the House of Commons to certify whether a bill was protected by the fundamental rights clauses or not. This sounds like pretty small beer. But wait. Say Labour actually wins an election and brings in its elected senate. It then loses an election and the Tories return. *They could establish the right not to belong to a closed shop as "fundamental."*

The political value of such a mechanism to Mr Neil Kinnock's present Labour Party should be that it might answer those who fear that Labour in power would be as authoritarian as its union-dominated predecessors. Here we are, it could say, fortifying rights, and making it extremely difficult to repeal them. This would be an advance, even though repeal would still be possible if a future government was determined enough and popular enough to be elected twice in a row. (Nothing is impossible under Britain's unwritten constitution.)

Labour's proposed senate has another – limited – attraction. Mr Hattersley's chapter leaves open the question of whether it would be elected by proportional representation – perhaps this is something to tuck away for bargaining with the "bits and bobs" of other parties if Labour does not quite make it at a future election. A PR-elected senate would be a quite different animal from a Commons elected by first-past-the-post, which Labour still insists on. The latter body would continue Britain's adversarial politics, with Labour and Conservatives taking it in turns to impose conflicting ideologies on the country. Labour clearly wants its turn.

A PR-elected upper house would almost certainly be dominated by centrist pacts: if PR has no other function it is to fortify the centre. This is why it is so striking that Mr Hattersley's document leaves room for PR in the proposed regional councils, but not local councils. It is clear which bodies are thought likely to control policies of central importance – the Commons and local councils – and which are not – the Lords and regional authorities. It is also clear that Labour aspires to a period of elective dictatorship of its own, to succeed Mrs Thatcher's. If it proposed PR in the lower house, or a greater degree of responsibility for the PR-elected upper house, it could add credence to its brand-new image of responsibility and moderation.

It is possible that that image will become accepted without such devices. Most voters have not the slightest interest in constitutional matters and would have to be subjected to more than one party political broadcast to see the point. Yet the intelligentsia, whose collective thoughts do percolate through, might be more inclined to believe in the Prudential Labour Party if they perceived that its proposals to diffuse political power were as heartfelt as its more muted passages on the evening-out of economic power. To the question posed at the beginning of this article, the answer must be – not quite, not yet, but Mr Kinnock should keep trying. He at least has Labour headed in the right direction.

LOMBARD

Of Marx and market dogma

By John Plender

THERE IS nothing like a West German perspective to puncture the more complacent assumptions of Anglo-Saxon economic liberalism. Back in the recession of the early 1980s, when Ronald Reagan was preaching the virtues of unfettered market forces, German car workers cut his rhetoric down to size by sending food parcels to Detroit.

Now, as the boom peaks, we have a verdict on the British penchant for financial liberalisation which is comparably waspish in its innocence. While sterling wobbles and Mrs Thatcher fulminates *against Marxist dogma in the* European Community, Dr Karsten Schmidt, of the British Chamber of Commerce in Germany, has been writing to a British newspaper with a helpful diagnosis. Could it be, he asks, that Britain's problem with wage inflation is exacerbated by pressure on household budgets from increased mortgage rates?

He notes that West Germany and Switzerland, the two European countries with the most stable economies and lowest interest rates, prevent banks from borrowing short and lending long at variable interest rates for house purchase. Instead, they raise fixed rate borrowings to finance fixed rate mortgage loans of similar maturity. And he adds that one happy consequence of 1992 may be that continental bankers will bring this practice from their more regulated markets to hapless, liberal Britain.

This will not go down too well with Anglo-Saxon financiers, who always assumed the traffic would be in the other direction. Nor is the argument flattering to Mrs Thatcher, because it highlights both a failure of her economic management and the double-edged nature of the liberalisation process.

The positive side of deregulation is that the consumer enjoys greater freedom to choose (including the freedom to go painfully into hock). The trouble arises from the resulting change in the shape of the personal sector's balance sheet. As individuals are allowed to borrow more on the security of their assets, they bring forward consumption and run down savings. The decline in the savings ratio finds its counterpart *in a deteriorating* balance of payments.

Yet the liberalisation of capital flows means that the traditional balance of payments constraint on a consumer binge no longer works quite as it did. Despite Britain's current account deficit running at 3¼-4 per cent of gross national product – far higher than in the US – this week's bout of nerves was hardly a sterling crisis.

Put another way, things can get more out of joint over a longer period in a deregulated market. Note, though, that while Japan has a clear political and economic interest in financing the US deficit, and the Germans arguably have a similar interest in financing a French deficit, neither country has much more than a narrow financial interest in supporting sterling. Note, too, that boom and bust was an endemic feature of the liberal nineteenth century financial system.

The problem with Dr Schmidt's remedy for Britain's current inflationary difficulties (if there is any truth in his diagnosis) is that it begs an important question. Britain has variable rate mortgages precisely because its experience has been more inflationary than that of West Germany. The genie cannot be put back into the bottle until the point where fixed rate borrowing no longer imposes a punitive cost in the event of disinflation. Mrs Thatcher's inflationary pre-election boom has probably put that off until well after the next election.

Looked at from a continental European perspective, free market dogma has delivered monumental currency misalignments, trade imbalances, price instability and a global stock market crash. In contrast, fixed exchange rates in the European monetary system and tight financial regulation have delivered price stability. The contrast is over-drawn. But there is enough in it to suggest that if Mrs Thatcher wants to keep the European Community on liberal tramlines she would do well to rely on argument instead of mere assertion.

LETTERS

'People should be able to see MPs at work'

From Mr Anthony Nelson MP.

Sir, For someone who professes to be a public policy consultant, Mr C. Miller (Letters, May 24) displays a marked ignorance of the report from the select committee on televising the proceedings of the House of Commons, and the way in which MPs conduct themselves.

First, the House of Commons has not yet decided finally to undertake an experiment in televising its proceedings. That vote will take place next month when the recommendations of the select committee are put to the House for approval.

If the House agrees to an experiment starting with the Queen's Speech in November, I and other proponents believe it will enhance significantly not only the influence of the legislature over the executive, but also public understanding and respect for parliament itself.

Second, to assert – before the experiment has even taken place – that it will make for boring and misrepresentative television, is not only presumptuous but also fails to appreciate the popularity and scope of parliamentary television broadcasts in most other democratic countries.

Of course television coverage will not be everyone's cup of tea. There may be teething troubles with the edited use of material or distribution of the signal. But that is why an experiment has been proposed.

The select committee has drawn up fairly restrictive rules of coverage and a structure of House control which should allay the understandable apprehensions of some MPs.

In addition, the work of select and standing committees is an important part of our proceedings, and the experiment provides for coverage of them.

Why should the UK public, which is affected by everything parliament does and says, have to rely on the vicarious reporting of the House's proceedings? People should be able to see directly MPs at work on their behalf and form their own judgment on the issues and the advocates.

Could it be that many who have for too long enjoyed exclusive rights of reporting and lobbying – including, perhaps public policy consultants – fear that they may become redundant, and that the public will be let into the true picture?

Anthony Nelson,
House of Commons, SW1

EC integration seen as enemy

From Mrs Nandita Sen.

Sir, Joe Rogaly ("Politics Today," May 19) completely misses the point of Mrs Thatcher's objection to a quickened pace of political integration within the European Community.

He disingenuously refers to the EC as "an embryonic coming-together of geographically and culturally contiguous peoples." The peoples of west and east Germany are geographically and culturally contiguous. *But for them to come* together in an embryonic political union would require an important change in the socio-political system of at least one of those countries.

While the differences between Britain and the other EC countries are not as stark as those between the two halves of Germany, the gulf between the Thatcherite model of politics, economics and society, and the continental model, is a wide one – as Mr Rogaly would probably be among the first to affirm. Thatcherism and the continental model cannot co-exist within a framework of strengthened EC political integration.

It may be true that Mrs Thatcher is happy when fighting a well-defined enemy, but she is careful about whom she chooses to fight with the gloves completely off: she does so only when the survival of *what she stands* for is threatened.

If she had lost the Falklands war or the miners' strike, her Government might well have lost office; if she loses the fight against a takeover bid from the continental corporatists, her Government might as well never have existed.

Nandita Sen,
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1040 Brussels, Belgium.

Strengthening EC controls

From Mr Richard Corbett.

Sir, It is incorrect for A.H. Hermann ("Trying to keep the EC together," May 17) to state that the Commission of the European Communities is subject to "no democratic control."

Both the commissioners themselves and their civil servants are closely scrutinised by the European Parliament and its specialised committees.

The European Parliament ultimately can censure the Commission and force it to resign.

The Commission's funds can be cut off, reduced, or frozen by the European Parliament, for some items, or by the Council of Ministers, for other items.

Legislation proposed by the Commission can only enter into force with the approval of the Council of Ministers and, in many cases, the European Parliament as well.

There is, though, a case for strengthening democratic scrutiny over the European Commission – notably for democratising its method of appointment.

Why not – as Lord Plumb recently *suggested – allow* the European Parliament to elect the President of the Commission in the months following each European election? He or she could then constitute the rest of his team in agreement with the EC member countries' national governments, with one or two members per country as now.

The President of the Commission would then reflect the majorities that emerge in the European parliamentary elections, giving additional meaning to these elections.

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B 2020 Antwerp,
Belgium

Private finance for public infrastructure carries different risks

From Sir Christopher Foster.

Sir, Sir William Ryrie's article ("The healthy discipline of private finance," May 24) gives even more food for thought on the subject of private finance for public infrastructure.

What he omits to say, however, is that the main difficulty today is no longer the Ryrie rules which John Major, the Chief Secretary to the Treasury, has retired, but fundamental differences in risk implied by the two methods of finance now proposed for the contractor.

Public finance means that the Department of Transport puts forward proposals for a road, carries them through the various complicated processes of consultation and public inquiry, and then puts them out to tender.

It is the taxpayer, therefore, who bears the whole cost of the lengthy design, redesign, consultation, public inquiries, slow decision-making and any time-slippage and increase in costs of construction.

In the case of the private sector, it is the shareholders who bear directly the costs of delay and overestimation of traffic usage.

Thus, the promotor has a direct interest in minimising costs. This is why the rate of return should be higher and why the benefits to the community occur sooner.

The green paper presented this week reveals that the Secretary of State for Transport could pull the plug on the successful private contractor at several *points during* the development of a road.

The sums at risk would be substantial, and the system could subject the private sector to a great many of the costs currently borne abortively by the public sector.

What needs to be approached now is the development of the details in the green paper without which the private sector is unlikely to put itself forward as a source of finance.

The National Economic Development Council's construction industry sector group, which has recently been in discussion with both the Treasury and the Department *of Transport on this very sub*ject, will shortly be producing its own ideas on how this might be done so that more mileage may be got from the Government's proposals.

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FINANCIAL TIMES
Friday May 26 1989

Leading from behind the scenes

George Bush arrives in Europe amid criticism writes Peter Riddell

President George Bush is to leave Washington this morning for a seven-day trip to four European countries. He will face sharp divisions among his hosts over nuclear defence policy and leave a wave of criticism about his alleged ineffectiveness.

This, his first visit to Europe as President, was to be a warm celebration of the 40th anniversary of Nato, at a summit of heads of government in Brussels, and an opportunity to set out his views on its future when he visits Rome, Bonn and London.

But the celebrations will be overshadowed by the unresolved dispute over when, and under what conditions, there should be negotiations over short-range nuclear missiles in Europe.

A more fundamental problem, however, is Mr Bush's approach. By instinct cautious, he has appeared to be left behind by the pace of change in the communist world and by the series of cleverly timed and well-presented Soviet arms initiatives.

He has reacted, rather than led. There was a revealing moment last Sunday during his news conference in Boston. Alluding to the views of Mrs Margaret Thatcher, the UK Prime Minister, and Chancellor Helmut Kohl of West Germany on the short-range missile dispute, he noted: "There are strong-willed people from strong countries, and they each have an opinion. My role has been to try, behind the scenes, to be helpful in working this problem out."

Most of Mr Bush's post-war predecessors have seen themselves as leaders rather than mediators. (Among the interesting features of the visit will be whether the evident British unease about recent US diplomacy is reflected in a less close relationship between Mrs Thatcher and Mr Bush than she enjoyed with Mr Reagan.)

Within the US, Mr Bush has been under fire from both liberals and conservatives for being too passive and for lacking imagination. At one level, Democrats have complained that Mr Bush's series of foreign policy speeches has been flat and lost him ground in the public relations battle with President Mikhail Gorbachev. On this view, Mr Bush should be bolder in his arms initiatives to win over international opinion. There has also been criticism of a negative and carping US response to Soviet proposals.

The complaint has been increasingly heard in the last week that Mr Bush is in danger of missing a historic opportunity to change East-West relations. The New York Times yesterday criticised the "vacuity and timidity" of the president's approach, concluding that, "in present circumstances, seeing different sides to every argument has become stifling. The very moderation (of Mr Bush and his key advisers) tends to blind them to the vast changes unfolding around the world, and to the power of language and bold goals."

The conservative criticism is from a different angle. There is general support from this group for the president's uncertainty and doubts about whether Mr Gorbachev will succeed in transforming Soviet society and defence policy, as well as support for the consequent US unwillingness to make far-reaching reductions in western military capacity on the basis merely of the position and prospects of one man.

However, conservatives argue that Mr Bush is not making enough of the current turmoil in the communist bloc. The line here is that he should be proclaiming loudly that the west has won the post-war ideological battle: he should be speaking up more for western values of freedom and democracy, while applying pressure for further changes. In particular, there has been frustration on the right with Mr Bush's attitude to the current protests in China – his reluctance either to criticise the present leaders, and thus risk undermining Sino-US relations, or to identify more explicitly with the demonstrators.

The White House can fairly argue that these points are in Mr Bush's speeches: on Wednesday he talked of "the final chapter in the communist experiment", and his approach to Poland and Hungary, which he will visit in July, is based on offering help specifically linked to economic restructuring and moves towards political pluralism.

Moreover, Mr Brent Scowcroft, Mr Bush's National Security Adviser, conceded that, if there were a change in Mr Bush's tone on Wednesday, when he welcomed Soviet conventional force proposals, it was because the president felt "he appeared too negative before, so he's trying to appear more positive now."

This change of tone, with the prospect of progress on the conventional force talks in Vienna, might help Mr Bush during the European tour. However the short-range missile issue is dealt with at the Brussels summit, the underlying question will remain whether, and how, Mr Bush can take a lead in such a rapidly changing international scene.

President Bush: celebrations overshadowed

Dutch aim for 70% cut in pollution during next 20 years

By Laura Raun in The Hague

THE NETHERLANDS yesterday unveiled details of a long-term environmental plan which it described as the most ambitious ever proposed by a government. It is intended to cut all forms of pollution by at least 70 per cent by the year 2010.

Mr Ed Nijpels, environment minister of the caretaker government, predicted that other countries, including West Germany which has joined the Netherlands at the forefront of the "green" camp in the European Community, would use the Dutch plan as a model.

A row over how to finance the project brought down the ruling Christian Democratic-Liberal coalition on May 2, and will not be resolved until after the general election in September.

However, the project's aims have strong support from all political parties, including the Labour opposition, so any government that emerges from the polls seems likely to retain at least a broad commitment to the goals spelt out yesterday.

Under the plan, the total cost of environmental clean up efforts sustained by government, producers and consumers would nearly double to Fl 15bn ($5.6bn) in 1994 from Fl 8bn a year now. By 2010, environmental costs are forecast to reach 3.5 per cent of gross national product against 1.5 per cent now.

About 80 per cent of the plan's costs will be borne by the polluter – industry, farmers or consumers. Industry is expected to pass to consumers 60 to 70 per cent of its added costs. By 1994 each household is expected to be paying Fl 30 a month towards saving the environment – 50 per cent above current levels.

Straight government subsidies would be kept to a minimum, reflecting the "polluter pays" principle, but they would still rise to Fl 360m by 1994 from Fl 100m now.

The plan includes several hundred measures designed to cut pollution in soil, air and water by 70-90 per cent over the next 20 years. The measures would cut acid-causing sulphur emissions, avoid contributing to the "greenhouse effect" and conserve energy.

Mr Nijpels stressed that the plan was based on the idea of "sustainable development," the notion that economic growth must not jeopardise future generations' ability to provide for their own needs.

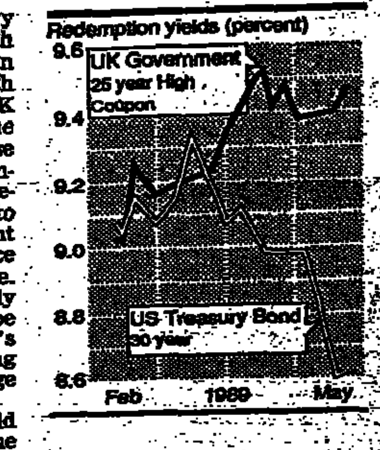
He said that, by some indicators, the Netherlands was the most polluted country in Europe because of its high density of population, cars and industry.

The Dutch feel acutely vulnerable, because of their geographical location to air and water pollution from West Germany and Britain. Their country is also the most intensively-farmed in Europe.

THE LEX COLUMN

The dollar key to base rates

Sterling's modest recovery yesterday had more to do with the dollar's biggest setback in a couple of months than with any perception that the UK authorities had regained the initiative. The one per cent rise in base rates was the bare minimum, and in terms of monetary policy is not enough to correct for the near 5 per cent devaluation of the pound since the previous base rate rise. However, it was a politically astute move, since it might be enough to halt sterling's decline without precipitating an immediate rise in mortgage rates.



The dollar's bull run could not have come at a worse time for the UK economy, since the devaluation of the pound has added rising import prices to the growing domestic inflationary pressures. The UK authorities' firm exchange rate policy can be seen to be a pretence; and whereas last year's demand-pull inflation could be tackled by deflating demand, the present cost-push inflationary pressures are much more stubborn. The question now is not whether UK inflation can be pushed below 4½ per cent by mid-1990, but what can be done to prevent it moving closer to 10 per cent.

The obvious solution would be for the UK to move into recession, but neither the UK Government nor the equity market is thinking along these lines. The key in the short-term is the dollar; and the combination of further concerted intervention and an overdue rise in official interest rates in West Germany and Japan may just be sufficient to stop its rise. If not, the UK must brace itself for further interest rate increases if the Government's anti-inflation policy is to retain any vestiges of credibility.

Life assurance

Judging by yesterday's proposals from the Securities and Investments Board, the life assurance industry has won a battle. But the victory could be Pyrrhic, for mutual life offices in particular. By opting for a relatively mild regime of commission disclosure, the SIB is refusing to employ fully the weapon of publicity which might have halted the commissions war which broke out on May 1. One life insurer after another – Scottish Amicable, General Accident, Norwich Union – has begun dispensing sharply increased commissions to independent intermediaries. The fight for distribution channels, symbolised by last year's Abbey Life/Lloyds Bank merger, is escalating fast.

This is hardly good news for consumers, even though it may take 20 years for the higher marketing costs to come through in the form of smaller policy proceeds. Yet increased expenses are bad for life offices too, especially the smaller and weaker mutuals, at a time when extravagant advertising campaigns and the Inland Revenue have raised significantly the after-tax cost of selling life assurance. It is such pressures which are prompting mutual life offices to consider demutualisation: it would be a sad irony if the SIB, by acquiescing in the commissions war, has hastened the demise of mutuality.

Thames TV

Thames TV made lots more money last year than anyone expected, and the share price duly went up. But if the response was sensible at all, it was not for the obvious reasons. Good performance last year may mean higher forecasts this year and next; but as the p/e ratio is useless in valuing earnings which could largely disappear when the franchise expires, the implications for the shares are limited. Indeed, on p/e grounds the price is clearly too high – the multiple for 1991 is the same as the market, and that assumes that Thames more than compensates for the new higher levy.

An asset value approach, while preferable in theory, gives no clearer idea of the value of TV contractors. Thames' programmes could be worth anything between £13 and £80m, and the Astra stake worth anything at all; but even the best guesses struggle to match the present share price. The best justification for the great re-rating of the sector is possible stake-building at some point in the future. There is good reason to suppose that foreign TV companies would like a toehold in the market, and would value the shares much more highly than UK institutions. However, it is not clear what they might be prepared to pay, nor how much stake-building the IBA will allow. The best that can be said for Thames is that it is cheap relative to Central or LWT, and that yesterday's news of a 15 per cent productivity improvement shows its attractions as an efficient maker of programmes.

Guinness Mahon

The Bank of England must be mighty glad to have found a wealthy Japanese bank happy to brave the antics of Lord Kissin and Mr Robert Maxwell, and take on Guinness Mahon. Not that there is anything particularly wrong with the bank: it is the argumentative shareholders who have generally been the problem. But given that the UK merchant bank sector has been far and away the worst stock market performer this year, a historic exit multiple of 18 times earnings seems a pretty fancy price for a bank which is very much in the second division. The only quarrel minority shareholders can have is with GM's refusal to publish its hidden reserves. Its advisers' lament that it is commercially sensitive information is patent nonsense.

Magnet

The improved offer to Magnet's convertible holders amounts to capitulation on a point of principle. Normal practice in a UK bid would be to buy such stock for cash, but Magnet originally proposed paying for it with unquoted junk bonds. The extra sums for Magnet are minimal: the new cash alternative has been underwritten, and nearly 40 per cent of the convertible holders had accepted the earlier terms in any case. But the implication is that the UK institutions have succeeded in beating back another part of US leverage culture.

It is now in nobody's interest to stop the deal going ahead. Indeed, given Wednesday's extra point on base rates, one has to respect the pluck not only of Magnet's directors, but of their backers. The MFI buyout team has already borne witness to the Lawson effect on consumer spending. If the Magnet venture makes it through the early stages, it will deserve its success thereafter.

Britain expels four Czech diplomats

By Robert Mauthner, Diplomatic Correspondent, in London

BRITAIN yesterday ordered the expulsion of four members of the Czechoslovak Embassy in London but said that the action was not related to the expulsion last week of 11 Soviet diplomats and journalists.

The official explanation was the same given in the case of the Soviet personnel: that the Czech officials had been guilty of "activities incompatible with their status."

The British decision puts a question mark over the planned official visit of Sir Geoffrey Howe, the Foreign Secretary, to Czechoslovakia in July.

The Foreign Office said it did not know whether the visit would now go ahead.

In Moscow, meanwhile, the Soviet authorities published detailed charges against the three British journalists expelled in the tit-for-tat diplomatic battle last weekend.

The journalists were alleged by a KGB official to have been involved with the British intelligence services.

The most serious accusations were levelled at Mr Angus Roxburgh, the Sunday Times correspondent in Moscow, who was alleged to have tried to enlist a Soviet citizen to obtain information on unspecified government installations and to have violated foreigners' travel restrictions.

Mr Roxburgh said: "This is a belated attempt by the KGB to justify a clear case of tit-for-tat retaliation – a fact demonstrated by the Foreign Ministry's offer to reconsider our cases, something they would hardly do if they really had evidence against us."

In London, Mr Jan Fidler, the Czechoslovak Ambassador to Britain, was summoned to the Foreign Office and told by Sir John Fretwell, Political Director and Deputy Under-Secretary, of the Government's decision to expel four of his diplomats.

The Ambassador was reminded that he had been warned in September that Britain would not tolerate "such activities" by his staff.

The Foreign Office said: "We very much regretted that the Czechoslovak authorities had disregarded this warning. We were nevertheless ready to put this incident behind us in the hope that there would be no repetition."

Mr Fidler was also informed that the British Government continued to attach great importance to improving relations with Czechoslovakia.

One area of recent co-operation involved a visit by Czechoslovak experts to Britain to help in investigations into the blowing up of the Pan Am airliner which crashed in Lockerbie in Scotland in December.

British experts said they suspected that the Czech-made plastic explosive Semtex had been used to blow up the aircraft.

The four members of the embassy staff given 14 days to leave the country were named as Mr Jan Pavlicek, Third Secretary and Press Attache, Dr Helena Krepelkova, Second Secretary, Mr Jan Sarkocy, Third Secretary, and Mr Rudolf Kasparovsky, Technical Adviser.

There was some speculation that the expulsions were linked to the defection to Britain earlier this year of Mr Vlastimil Ludwik, a First Secretary at the Czechoslovak Embassy.

Britain's relations with Czechoslovakia have been adversely affected by a series of diplomatic incidents over the past few years.

The last of these was in September 1988, when Britain expelled three members of the London embassy.

An antiques dealer was jailed in London for 10 years in March this year, after being accused of spying for Czechoslovakia on British companies involved in the US "Star Wars" space defence project.

Brussels wins fight on Japanese copiers

By William Dawkins in Brussels

THE European Commission has won its controversial fight for a new rule of origin on photocopiers, which will extend anti-dumping duties to US-assembled copiers exported to the EC by Ricoh of Japan.

The Brussels authorities are now preparing a fresh inquiry into whether Seiko Epson, the Japanese electronics group, is avoiding duties of 25.7 per cent on its dumped Japanese exports to the Community.

They suspect it of channelling sales to the EC through a basic US assembly plant fed with dumped parts, the same technique used by Ricoh.

The Ricoh move comes despite the objections of five EC Governments and is bound to add to trade friction with the US and Japan. Ricoh's Californian exports will automatically be charged 20 per cent duties – the same as applied to Ricoh's direct shipments from Japan – after the decision is released in the EC's official journal, soon to be published.

The new origin rule on copiers defines the US-built machines as Japanese, not American, on the grounds that assembly of basic parts does not confer local origin.

The Commission opened a procedure in February that turns its ruling into law if a simple majority of EC Governments fails to block it within three months.

The deadline has just expired, marked by a written protest from Britain and West Germany, supported by Ireland, Denmark and the Netherlands. However, that is just short of the number of governments needed to block the plan.

A Commission customs expert will shortly visit Seiko Epson's plant in Portland, Oregon, to examine whether its local production can be counted as American under EC rules of origin.

The EC has no specific rules for the origin of computer printers, unlike the existing detailed provisions for semiconductors and the ones about to come into force for photocopiers.

Computer printers are instead covered by a 1968 general regulation, which defines a product's origin as where it underwent the last substantial operation before completion.

Mr Edward Huggins, communications manager for Seiko Epson, yesterday denied that the US factory was being used to get round EC duties. While the Portland factory often did export to Europe, the EC was mainly supplied from the two local plants, in Telford, UK and Boumeil sur Marne in France. "If anything, I would expect the local content of the US plant to be higher than the European ones because it has been established longer," he said.

Brussels to rule on aid to Alfa

Continued from Page 1

longer exists as an independent entity. In any case Fiat, in an unusually structured deal, bought the assets of Alfa rather than the equity of the company. Had it bought the equity it would have been liable to future obligations.

Fiat, Alfa's owner, cannot now be asked to repay the money because Fiat's contract to buy Alfa stipulated that Fiat's total liability was to be restricted to L700bn of Alfa debts it agreed to assume.

The Commission will next week need to decide on the recommendation that two capital injections by Finmeccanica to Alfa Romeo, of L206.2bn in 1985 and L408.9bn in 1986 represented illicit state rescue aid that distorted competition under Article 93 of the Treaty of Rome.

Finmeccanica has the right to appeal the decision to the European Court of Justice in Luxembourg.

Central banks push dollar lower in active trading

news that the growth of real US first quarter gross national product had been revised downwards to 4.3 per cent from 5.5 per cent previously. In what New York currency dealers called a textbook move, the US Federal Reserve, the central bank of Canada and a clutch of European central banks took the opportunity of the dollar's vulnerability after the GNP release to force it below DM2.00.

Helping to curb the dollar's strength was a Swiss decision to introduce a flexible lombard rate. This is expected to result in rising Swiss franc money market rates and had the effect of strengthening the hitherto weak Swiss franc.

The Bundesbank was again absent from intervention but this could have reflected the closure of financial markets in West Germany for a holiday.

The GNP figures sent a mixed message to US financial markets. The US bond market fell around ¼ point, taking the yield on the benchmark long bond up to 8.64 per cent.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	21	70	Dubrovnik	S	21	70	Malta	F	21	70	Rhodes	S	20	68
Algiers	F	23	73	Edinburgh	C	13	55	Manchester	C	14	57	Rio de J'o	F	31	88
Amsterdam	S	27	81	Faro	F	20	68	Manila	C	36	97	Rome	S	23	73
Athens	C	18	64	Florence	S	25	77	Melbourne	F	14	57	Salzburg	S	24	75
Bahrain	S	36	97	Frankfurt	S	24	75	Mexico City	C	29	84	San Francisco	C	11	52
Bangkok	F	35	95	Funchal	F	20	68	Miami	S	25	77	Seoul	C	17	63
Barcelona	C	19	66	Geneva	S	25	77	Milan	S	23	73	Singapore	R	27	81
Beirut	-	-	-	Gibraltar	F	20	68	Montreal	F	13	55	Stockholm	S	26	79
Belfast	F	14	57	Glasgow	F	15	59	Moscow	S	19	66	Strasbourg	S	25	77
Belgrade	F	21	70	Guernsey	S	20	68	Munich	S	23	73	Sydney	S	16	61
Berlin	F	24	75	Helsinki	S	25	77	Nairobi	C	22	72	Taipei	C	27	81
Biarritz	F	20	68	H. Kong		27	81	Naples	F	26	79	Tangier	F	22	72
Bombay	S	32	90	Innsbruck	F	24	75	Nassau	C	32	90	Tel Aviv	F	26	79
Bordeaux	F	26	79	Inverness	F	13	55	New Delhi	S	37	99	Tenerife	S	21	70
Brussels	S	27	81	Islamabad	F	36	97	New York	S	17	63	Tokyo	R	22	72
Budapest	F	20	68	Istanbul	C	17	63	Nice	S	22	72	Toronto	C	13	55
B. Aires	F	19	66	Jakarta	R	33	91	Nicosia	S	22	72	Tunis	C	21	70
Cairo	S	29	84	Jersey	S	26	79	Oporto	F	23	73	Valencia	C	22	72
Cape Town	S	17	63	Jo'burg	S	23	73	Oslo	F	20	68	Venice	S	23	73
Caracas	C	27	81	Lima	C	21	70	Paris	S	29	84	Vienna	S	21	70
Casablanca	C	22	72	Lisbon	F	19	66	Peking	S	32	90	Warsaw	F	24	75
Chicago	S	18	64	London	F	17	63	Prague	S	22	72	Washington	S	18	64
Cologne	S	26	79	Los Angeles	C	14	57	Reykjavik	G	7	45	Zurich	S	24	75
Copenhagen	S	22	72	Luxembourg	S	24	75								
Corfu	S	22	72	Madrid	F	20	68								
Dallas	-	-	-	Majorca	C	22	72								
Dublin	C	14	57	Malaga	S	23	73								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Hard-liners regain control in China

Continued from Page 1

cutting short a visit to the US. He had been expected to lead a move to overturn the martial law decree.

As the party's central committee continued to argue behind closed doors, rumours that Zhao had been sacked were denied by the Foreign Ministry which said there had been no changes the country's leadership. However, Zhao is widely believed to have lost out in the struggle amid reports that Deng had labelled him a "traitor."

Li was understood to have moved his family, and that of President Yang Shangkun, into the heavily guarded Zhongnanhai party stronghold in Peking, in apparent anticipation of trouble. Nearly all China's provincial leaders and army commanders have backed the Prime Minister. Three army departments published a letter yesterday in the Peoples' Daily, the official party newspaper, demanding that officers and soliders "take a clear cut stand in fighting against the plot of a very few people."

There were concerns of possible violent confrontations as troops were told in the published letter to "fear neither hardship nor tiredness, give all your efforts to win a great victory." In what sounded like a battle cry, the letter concluded: "The party will never forget you, the republic will never forget you, history will record your merit forever."

Chinese intellectuals were concerned that the conservatives were reasserting control and preparing to use force to end the five-week old student campaign. Liberal intellectuals said they expected to be arrested shortly.

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Swings and roundabouts

It may have suffered worse falls in its time but for sheer volatility, recent days on the Hong Kong stock market have set a record. The exchange has seen a 12.49 per cent slide over four trading days this week. The Hang Seng index, however, seesawed several hundred points in either direction on turnover of more than HK$3bn (US$389m) a day. Page 52

The politics of British coal

There is a strong party political dimension to the latest leveraged bid to hit the London market: Mr David McErlain, chairman of bidding coal group Anglo United, likes to see himself as a representative of entrepreneurial Thatcherite Britain, while Mr Eric Varley, chairman of defender Coalite, is a former Labour minister. David Waller reports. Page 28

Broadening horizons

Mr Anders Carlberg, president of Nobel Industrier, Sweden's biggest chemicals company, is trying to transform the group from the predominantly Scandinavian company that it has been for virtually all its 350 years into a more broadly-based European concern. Peter Marsh reports. Page 22

Trouble in mind

The leisurely atmosphere of the Winnipeg Commodity Exchange's trading floor seems a world away from Chicago's teeming, raucous futures pits. But, following the disclosure of the FBI's under-cover investigation into possible trading malpractice in the Windy City, Chicago is more than ever on the Winnipeg trading fraternity's mind. Page 40

The losses are also high-rise

The fluctuating relationship between Organizacion Diego Cisneros of Venezuela and Mountleigh, the UK property group, has taken another twist. ODC now stands to lose around £20m ($31.4m) on the stake it holds in Mountleigh. Tony Clegg, the British company's chairman (left), has obtained an option to purchase a parcel of 16.66m shares at 180p each. These were issued at 300p a share to ODC, as part of Mountleigh's £153m purchase of Galerias Preciados, the Spanish department store chain. So, while Clegg is prepared to pay 30p a share over the market level, ODC could lose 120p a share. Page 32

Chief price changes yesterday

NEW YORK ($)				Falls			
Rises				Lisbon	1339	-	51.9
Coca Cola	58	+	1¾	UIC	1033	-	35.7
LIN Broadcast	101	+	4¾	Midland SA	203	-	5.3
Mgmt Science				**TOKYO (Yen)**			
Ael	11⅞	+	½	Rises			
Falls				Sekisui Bldgs	1480	+	160
Universal Foods	35	-	1¾	Daiwa Kosho Lse	1200	+	120
Ford	47	-	⅞	Nippon Rome Pipe	1250	+	120
Integrated Res.	16¾	-		SFC Elects	2250	+	200
PARIS (FFr)				Toyo Eng	1420	+	120
Rises				Pioneer Look	1310	+	110
Nord-Est	197	+	29.4	Falls			
Hachette	360	+	35.3	Takashima	1630	-	260
Sab SA	1122	+	112.2	Tokuko Steel	1110	-	100
Epée-Beghel	550	+	52.5				
Gal. Lafayette	1659	+	138.5				
Frankfurt closed.							
LONDON (Pence)							
Rises				Racal Elect.	492	+	12
AB Electronic	379	+	16	Regentcrest	78	+	9
Anglo Secur	270	+	25	Steetley	492	+	12
Arlington Sec.	234	+	14	T.H.F.	315½	+	9½
Brit. Aerospace	572	+	27	Thames TV	484	+	13
Carlton Comms.	838	+	30	UEI	680	+	21
Courtaulds	343	+	7	Ward White	288	+	11
Eurotunnel Unit	1034	+	18	Westbury	248	+	8
Ivory Merchant	458	+	7	Wolv. & Dudley	421	+	8
Moonlight	159	+	9	Falls			
Noch Ind	203	+	30	Glaxo	1375	-	20
Reed	454	+	9	Smith (David S)	290	-	5
RMC	790	+	17				

Sailing from Yokohama into uncharted waters

David Lascelles and **Stefan Wagstyl** look at the Japanese takeover of Guinness Mahon

AS THE Japanese banks pursue their seemingly relentless advance into European territory, it had only to be a matter of time before one of them made an acquisition.

Although yesterday's £94.5m ($148.4m) bid by the Bank of Yokohama for Guinness Mahon does not exactly belong to the top ranks – it involves a regional bank buying a second tier merchant bank – it is illuminating for what it says of Japanese bank strategies. It should also prove instructive in the future for what it reveals of a Japanese institution's ability to manage an entry into hitherto untested – and potentially tricky – waters.

The acquisition is a bold move for Bank of Yokohama since it involves not just an overseas deal but also the acquisition of a merchant rather than a commercial bank. But it stems from the bank's ambitions to grow overseas and simultaneously build up its expertise in the investment banking area from which Japanese banks are excluded by law in their home markets.

"This is a most important step. It is central to our corporate strategy," said Mr Osamu Nagatsuka, the head of the bank's international operations, in London yesterday.

Like many medium-sized Japanese banks, the Bank of Yokohama has a particularly difficult challenge in facing up to the twin currents of internationalisation and deregulation which are coursing through Japanese banking.

Larger banking groups are, on the whole, best placed to take advantage of them. As a result medium-sized banks are trying various ways of avoiding being crushed – reinforcing regional bases, developing specialised skills, and building overseas operations. They are particularly keen to establish themselves and expand in London – for fear that barriers to entry may come down with the creation of the integrated European market in 1992.

"We believe the European market-place is set for major growth. We want to play a full part in that growth," said Mr Nagatsuka.

In a sense, it is logical that the Bank of Yokohama should be among the first to attempt a foreign acquisition. Founded in 1920 in the port city of Yokohama it has long relied on its customers' foreign trade to develop a strong international business. It is one of the few Japanese regional banks to be well-known overseas.

With Y10,512bn ($73.8bn) in assets at the end of last September, it is larger than the smallest of Japanese city banks. Profits have grown rapidly recently with a 26 per cent increase in operating profits to the end of March 1988 to Y36.6bn and a further rise of about 30 per cent expected in the year just ended.

But if the Bank of Yokohama has a particular expertise in going overseas it also has a particular need. Its home base is one of the most vibrant and wealthy in the Japanese economy. But competition is intense because of Yokohama's proximity to Tokyo. And while it may rank only as a medium-sized bank in Japan, its market capitalisation is $11.6bn, which makes it bigger than Deutsche Bank, Citicorp or Barclays. "We are a large bank," said Mr Nagatsuka simply.

"Through Guinness Mahon, Yokohama hopes to gain an entrée to the London corporate finance and investment banking markets, in anticipation of the eventual abolition of the barriers separating investment and commercial banking in Japan.

Mr Kazunori Ota, the senior deputy general manager for international strategy, said his bank was interested in Guinness Mahon's expertise in stockbroking, fund management and specialised areas like property finance.

The acquisition reinforces the Japanese banks' interest in expanding beyond the volume-driven lending and new issue business which has characterised their growth in the past, and moving further into areas where advice and financial expertise matter.

Thus far, they have only invested heavily in this area in the US with the acquisition of a stake by Sumitomo Bank in Goldman Sachs, the Wall Street investment bank, and a similar arrangement between Nomura Securities and Wasserstein-Perella, the corporate finance boutique.

But recently, all the major Japanese banks and securities houses located in London have begun to develop corporate finance departments in order to engage in the mergers and acquisitions business. With its acquisition, Yokohama has vaulted to the forefront of this trend, which *many people see as the next* major stage in the Japanese financial advance.

For Guinness Mahon, the bid should mark the end of a damaging period of uncertainty, and be an important source of new business if, as expected, more Japanese companies try to buy or expand their way into Europe.

Mr Geoffrey Bell, the chairman, was in ebullient mood yesterday, describing himself as "ecstatic" over the prospects. "We will be the first merchant bank with a real Japanese connection," he said.

The group's new-found stability would enable management to plan properly and attract new talent with solid career prospects, he said.

Yokohama counts among its large Japanese corporate clients Nissan, Mitsubishi, Mitsui, and NEC.

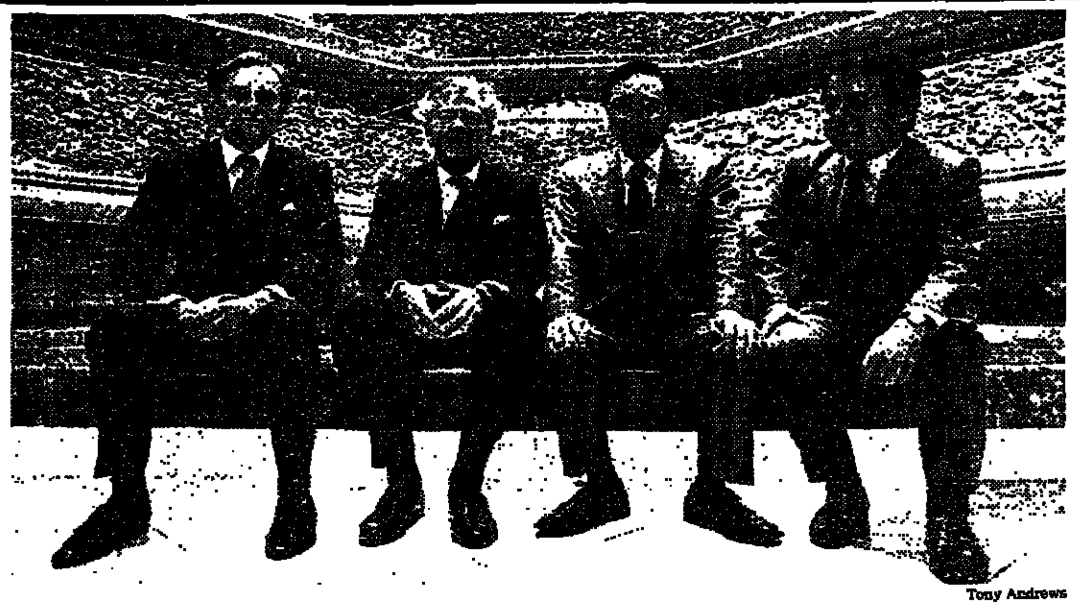
The City of London, however, will be watching closely to see how Yokohama manages its relationship with its new subsidiary.

The intention is that Guinness Mahon should have a high level of independence. Yokohama will have only one executive director and two non-executive directors on the merchant bank's 12-man board. Pledges have also been given that the present management will be kept and allowed to run the business as they think best.

But managing merchant banking subsidiaries has never been easy, even for British banking parents, and questions were being asked yesterday whether Bank of Yokohama was equipped to handle what precedent suggests could be a delicate, even stressful relationship.

The indications are, however, that a number of Japanese banks were *in the running for Guinness* Mahon. Banking analysts in Tokyo said that in recent weeks several Japanese banks had been examining the merchant bank in great detail, asking for reams of figures about the UK banking industry.

It is believed that Tokai Bank was a strong contender. If so, the Guinness Mahon deal could well be just the first of many Japanese attempts to enter the merchant banking business whenever such rare opportunities present themselves.



Tony Andrews

At yesterday's announcement of Yokohama's deal with Guinness Mahon (from left to right): Lord Duoro, deputy chairman of the UK merchant bank; Geoffrey Bell, chairman; Osamu Nagatsuka, managing director, international, Bank of Yokohama, and Kazunori Ota, senior deputy manager

GEC and Siemens to miss deadline

By Terry Dodsworth and Hugo Dixon in London

THE General Electric Company of the UK and Siemens of West Germany have given up hope of reaching agreement on the conditions for renewing their bid for Plessey within the 40-day period set by the British Government.

The 40-day deadline for agreeing undertakings that would meet objections to the bid posed by the Monopolies and Mergers Commission is due to run out next Wednesday. But with the long weekend caused by the UK Bank Holiday on Monday, officials say they have run out of time to complete the necessary documentation within the target timescale.

Mr Michael Lester, GEC's legal director, claimed last night that the failure to meet the deadline should not cause any great difficulty. "I assume we shall reach some agreement with the authorities that will effectively extend the period," he said.

Negotiations have been held up because of the complexity of the issues and the fact that three Government departments are involved. It emerged yesterday that the discussions are going on not only at the Ministry of Defence and the Office of Fair Trading, but also with the Cabinet Office, which is representing the security services.

The undertakings are designed to ensure that highly sensitive military secrets within Plessey remain under British control even if Siemens takes over some of the company's defence electronics activities. At the same time, the Government is aiming to maintain competition in the industry.

Mr Lester said that the main difficulty lay in the complexity of the legal drafting. "This is a technical legal problem, and there are a lot of technical lawyers involved."

The most likely solution to the deadline expiry will be for the Government to ask GEC and Siemens to continue to be bound by the terms of the 40 days reference pending the negotiation of the agreement.

This means that the Anglo-German consortium will not be able to buy shares in Plessey, in which it currently owns just under 15 per cent, until the undertakings are signed.

Once these conditions are agreed, GEC will also be relieved from an earlier Government order forbidding it to acquire more than 15 per cent of Plessey. The consortium will then have 21 days in which to make an announcement of its bidding intentions for Plessey under the City's takeover code.

The delay in the negotiations will cause further irritation to Plessey, which only this week complained bitterly about the length of time it has already had to suffer under the shadow of a takeover offer.

Recalling that the GEC/Siemens consortium made its first hostile move against Plessey last November, Mr Stephen Walls, the company's managing director, said it was intolerable that companies should have to continue to operate as commercial concerns under such conditions. He called for changes in the takeover code to speed up bidding procedures.

● The Law Lords have refused to hear a final appeal by Plessey into the GPT case, in which it claimed that GEC had violated the shareholders' agreement in their joint venture telecommunications group.

Salomon censured for Crash trades

By Janet Bush in New York

SALOMON Brothers, the powerful Wall Street securities house, was yesterday censured by the Securities and Exchange Commission for violating its short-selling rule on October 19, 1987, the day of the stock market crash.

Mr Jeffrey Plotkin, head of the Branch of Broker-Dealer Enforcement in New York, said that the SEC was delivering a severe public reprimand and making an example of Salomon Brothers to underline the importance of abiding by short-selling regulations. "Compliance with the short-sale rules was of utmost importance on that particular day," he said.

A short-sale transaction is designed to take advantage of a declining market. A securities house will sell stocks that it does not hold and hope to buy stocks at a lower price.

The SEC said that Salomon Brothers had wilfully violated Section 10 (a) of the Securities Exchange Act of 1934 and Rule 10A-1(a) in connection with 70 sales transactions for its own account in 19 stocks listed on the New York Stock Exchange with a market value of around $12.5m.

Under SEC rules, a broker dealer who has a net short position in a security must mark any short sale as such and must only execute a short sale at a price above the last reported price for that security on the NYSE – the so-called uptick rule.

The SEC said that Salomon failed to mark the short sales it executed on Black Monday and violated the uptick rule.

The uptick rule is designed to prevent short selling from accelerating any market decline and adding to volatility.

In addition, the SEC found that Salomon Brothers had wilfully failed to provide the commission with books and records to help it with its investigation. Mr Plotkin said that this part of the finding was as important as the short-selling violation.

"We think this is equally serious because it destroys the integrity of the commission's ability to monitor broker dealers and protect the public," he said.

Mr Plotkin noted that other broker dealers had not been as obstructive in furnishing information. He said other securities houses were under investigation for violations of the short-selling regulations.

Salomon consented to the issue of the SEC's findings and imposition of sanctions without admitting or denying the allegations. Under the order, it must appoint a senior internal auditor who will make a semi-annual review of Salomon's short sales in conjunction with an independent certified public accounting firm.

Mr Plotkin said censures on short selling were relatively infrequent. The last one he recalled was 10 years ago.

Reader's Digest to offer stock

By Roderick Oram in New York

THE READER'S Digest Association, the intensely private publisher of the world's most widely read magazine, said yesterday it would sell 10 per cent of its non-voting stock to the public.

The large flotation, scheduled for late this year or early next, marks another big change in the company since its founders, DeWitt and Lila Wallace, died earlier this decade.

After 60 years in which the Reader's Digest was the company's only magazine, new managers led by Mr George Grune since 1984 have acquired other titles. They have also cut back on some of the paternalistic perks at the company's bucolic campus headquarters at Pleasantville in the far northern New York suburbs.

Staff kept their garden plots but other changes caused some fierce faction fighting for a period during the mid-1980s. In recent years worklife appears to have returned to the measured, virtuous style found within the pages of the Reader's Digest.

Employees broke into cheers yesterday when they heard of another move by management. The company will allow its employees' profit-sharing plan to acquire 20 per cent of the voting stock by 2000. Tax law changes are requiring the foundations that own the company to reduce their stake to 50 per cent by that date.

Another drastic cultural change will come with the disclosure requirements of partial public ownership. Mr Wallace was once quoted as saying: "We do as we damn well please, and that's close to ideal."

So far the company has only given annual figures for revenue and circulation, making it very difficult for Wall Street to estimate the value of the flotation.

When the prospectus is published it will be eagerly analysed because of the perceived strength of the company and attractions of the stock.

It will give investors a more direct line on the magazine market than other media companies which are more diversified.

For the fiscal year ended June, 1987, the company reported revenues of $1.4bn. Magazines contributed 36 per cent, books 46 per cent and records and tapes 11 per cent to the total.

The Reader's Digest is published in 39 editions and 15 languages with a global circulation of 28m and readership of 100m per issue. The other titles are Travel-Holiday, The Family Handyman and New Choices for the Best Years, aimed at people over 50.

Its book publishing includes a half share of Dorling-Kindersley of the UK.

Row over Coca-Cola distribution ends

By George Graham in Paris

PERNOD RICARD, the French drinks company, has reached a peace settlement with Coca-Cola of the US over the distribution of the fizzy drink in France.

The US group said it had reached the basis of an agreement to acquire Société Parisienne de Boissons Gazeuses, which with its subsidiaries distributes its product in six major French regions, from Pernod Ricard.

Coca-Cola has been seeking for some time to win back control of its French distribution, and the two groups have in the last six months been slugging it out in court. The US company had won back three regions, where licences expired, as well as rights over canned and diet Coke.

It has embarked on the construction of a major canning plant at Dunkirk, in northern France.

The two companies said terms of the agreement would not be revealed until it was completed and had received government approval.

Financial analysts in Paris have estimated that Pernod Ricard would refuse to settle for less than FFr1bn ($146m) compensation for loss of the Coca-Cola licences. Brokers PaineWebber, in London, suggested the price ought to be above FFr2bn.

Meanwhile Perrier, the French drinks and dairy products group, boosted 1988 net attributable profit 80 per cent to FFr1.08bn from FFr570m in 1987, due mainly to positive operating results and FFr233m in exceptional gains from the sale of several units, Our Financial Staff writes.

Consolidated turnover jumped from FFr11.05bn to FFr15.15bn. Results in 1989 should be in line with the trend seen in 1988, especially because of possibly increased sales abroad and the dollar's recent strength, it added.

Saab-Scania to go ahead with turboprop production

By **Robert Taylor** in Stockholm

SAAB-SCANIA, the Swedish aerospace and motor group, yesterday decided to go ahead with production of its new 50 seater turboprop aircraft, to be called the Saab 2000.

The group is seeking a commercial loan from the Swedish Government for SKr1.5bn of the SKr3.5bn ($518.3m) estimated cost of the project. In addition it hopes to be able to co-operate with foreign aircraft makers, and said it had been in contact with leading manufacturers both in Europe and the US over the 2000 project.

Mr Georg Karnsund, Saab-Scania's president, said yesterday he wanted a positive decision from the Swedish Government over its loan application within a month. Talks have been going on for some time with the Department of Industry about the project.

However, in a separate statement issued yesterday the department made clear that while it takes a positive view of the company's civil aircraft developments, it wants to settle the controversial question of the future of the costly military aircraft the JAS 39 before it deals with any investment decision over the 2000.

Earlier this year the JAS crashed on landing after a test flight and an inquiry into the cause of the accident has not yet reported.

The Saab 2000 is designed to become the world's fastest turboprop plane with a speed of 650km an hour and a flying range of 1,800km.

The Swiss company Crossair has already made a preliminary order for 25 of them with the option of an additional 25.

Earlier this week American Eagle, the regional arm of American Airways, announced it was taking an option for 50 of the Saab 2000.

Saab-Scania argues that the Swedish Government should give its full support to the airliner project because it promises to be as big a success as the Saab 340 and 340B.

Earlier this week American Airlines agreed to buy 50 of the 340B's and take an option on a further 50 in a deal worth an estimated SKr5bn, the biggest in Swedish industrial history.

Trump wins control of Eastern shuttle

By **Roderick Oram** *in New York*

MR DONALD Trump, the New York investor, has won control of the Eastern Air Lines Boston-New York-Washington shuttle after America West Airlines failed to raise financial backing for a higher bid.

Eastern will receive $365m from Mr Trump towards its goal of shedding $1.8bn of assets so it can pay down debt, reorganise as a much smaller carrier and emerge from protection of the bankruptcy court. Sale of the shuttle to Mr Trump was approved by the court yesterday.

The Miami-based airline had sought court protection in March after it was virtually shut down by a strike of its machinists backed by almost all its pilots. Staff were balking at wage cuts sought by Mr Frank Lorenzo, chairman of Texas Air, Eastern's parent.

Mr Bruce Nobles, head of Mr Trump's new shuttle operation, said the service would start under the new owner within a fortnight. He hoped to lease immediately four aircraft from Eastern and repaint them in Trump colours.

Although Eastern kept the shuttle running during its strike, analysts believe Mr Trump will face a big task revamping the service and winning back customers. Its share of the duopoly with Pan Am has fallen to around 28 per cent from over 50 per cent.

Mr Trump had agreed to buy the profitable shuttle last October but completion of the deal was long delayed while he sought approvals from Washington's airline regulators.

After Eastern filed for bankruptcy protection, he forced a renegotiation of the deal. The price was unchanged but he lifted from 17 to 21 the Boeing 727s in the sale.

America West was a late entry in the fight. It was offering $375m for the routes and airport facilities leaving Eastern to raise a further $80m from selling aircraft. The court appeared to favour its higher offer, which Mr Trump refused to top, but America West failed to raise the money.

Dissident holder to join board of Southmark

By **Roderick Oram**

SOUTHMARK, the troubled Dallas real estate group, has agreed to add to its board Mr Herbert Parks, a dissident shareholder who had been waging a proxy fight, and two of his colleagues.

The company said the agreement, which expands the board to 10 and ends the fight, should help it act more quickly to cut its more than $1bn of debt and to avoid seeking protection from the bankruptcy court.

After spending about $4m to defend itself in the proxy fight, Southmark will pay Mr Parks "certain expenses" out of the $2m he estimated the fight would cost.

Nobel's formula for expansion

The chief of Sweden's biggest chemicals group talks to **Peter Marsh**

MR Anders Carlberg, president of Nobel Industrier, Sweden's biggest chemicals company, is in no doubt about where his group's future lies. "We have to grow where the markets are," he says.

Mr Carlberg is a highly confident, fast-talking 45-year-old, who took over the top job at Nobel in 1985 after a marketing-oriented background in industries such as papermaking and steel.

The chemicals boss is trying to turn Nobel, which has existed in various forms for some 350 years, into a broadly based European company rather than the predominantly Scandanavian group which it has been for virtually all its history. He reckons he is succeeding.

Since 1985 Nobel has doubled its sales, largely by spending SKr16.5bn buying 50 companies, many of them outside Sweden. "Five years ago we had two plants outside Sweden, says Mr Carlberg. "Now we have 50."

The Nordic region is still extremely important for Nobel, providing 42 per cent of its sales. The proportion has, however, fallen from just over half total revenues four years ago.

In that time sales from the rest of Europe have been pushed up from 24 per cent to 31 per cent of turnover and Mr Carlberg expects this trend to continue. "We have to get more into the Common Market countries," he says.

Since the mid 1980s the company has expanded agressively in several product areas, among them paints where Nobel claims to be Europe's fifth biggest maker after Britain's Imperial Chemical Industries, the Netherlands' Akzo and Hoechst and BASF of West Germany.

"Ten years ago we were nowhere in paints," says the combative Mr Carlberg. But he pointed out that "we have an above 25 per cent market share in paints in the Nordic countries. To beat us in this region you would have to spend a lot of money."

The company's sales last year reached SKr21.3bn ($3.12bn), of which net earnings were SKr654m which makes it among Sweden's biggest industrial companies but only a middleweight in the world chemical business.

Mr Carlberg believes, however, that this need not be a handicap. He thinks Nobel can exploit new market opportunities quicker than some of the giant companies like Bayer and Hoechst of West Germany and the US's Du Pont which dominate the world's chemicals sector.

It has a great variety of products. They include electronic lighthouse systems, candles, chemical intermediates for the drugs and agrichemical sectors and personal-care products like toothpaste and shampoos – a field in which it is particularly strong in France and West Germany. Nobel also sells

Anders Carlberg: 'We have to move more into EC countries'

plastic car parts, pulp and paper chemicals, adhesives and ammunition and armaments.

The last two areas which have given Mr Carlberg his biggest problems. In the past few years Nobel's Bofors weaponry subsidiary, which accounts for about a quarter of group sales, has been rocked by allegations regarding illicit sales of defence equipment to Third World countries.

Senior former employees of Bofors, whose origins go back to the early 17th century and which formed the nucleus for the modern Nobel, are due to go on trial later in the year to face these allegations.

Mr Carlberg admits the publicity related to the Bofors affair – which in Sweden has taken on the dimensions of a major scandal – has been difficult for Nobel. "It has taken up a lot of time. We have had to try to build up a new confidence in the company."

On a more positive note the Nobel chief turned to chemical intermediates, some of which are related to the materials used in ammunitions and in which field Nobel reckons it has high-class technology.

Here, the company competes strongly with the European chemicals majors. It is, however, keen to build up its operations in supplying chemicals to pharmaceutical makers on the continent – especially suppliers of cheap, generic copies of off-patent medications.

Mr Carlberg is particularly proud of last year's acquisition of Sadolin & Holmblad, a Danish company, which gave Nobel a further push in the paints and adhesive sector.

He is also keen to point out Nobel's advances in what is for it a new area of tooth implants, based on a novel type of titanium-based material which is inert in the human body. Nobel makes the implants and also the equipment to put these into people's jaws, which it sells to surgeons together with the know-how.

"So far we have operated on 40,000 patients with this system, building up annual sales from nothing in 1984 to SKr500m last year," says Mr Carlberg. "I won't tell you the exact nature of the material as it is a secret."

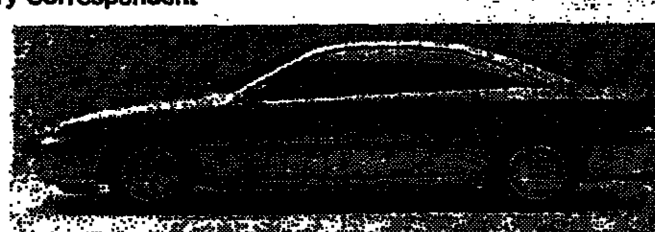
GM to launch sports coupe

By **Kevin Done**, Motor Industry Correspondent

GENERAL MOTORS is to enter the growing West European market for high performance sports coupes early next year with the launch of the Opel/Vauxhall Calibra.

Announcing the name yesterday, GM said the car would be unveiled at the Frankfurt motor show in September and at the London Motorfair in October.

The sports coupe market in Europe has been increasingly dominated by Japanese car makers, but European-based manufacturers have begun to fight back led by Volkswagen, which last year launched its 140mph Corrado sports coupe, the fastest production Volkswagen to date.



Opel/Vauxhall Calibra: to be unveiled at Frankfurt

The Opel Calibra, which will be sold as the Vauxhall Calibra in the UK, will be produced at the Opel plant at Russelsheim, West Germany. The car will be launched progressively into European markets from the first quarter next year.

It is understood the Calibra will be powered by a two litre, 16 valve, DOHC (twin-cam) engine, which was first launched by GM last year in its Kadett GSi/Astra GTE 16V "hot-hatch," a high performance small hatchback.

The Calibra will be a front wheel drive and four wheel drive coupe derivative of the successful Opel Vectra/Vauxhall Cavalier saloon and hatchback range launched last autumn.

It will be based on the same floorpan (chassis) and use many common components.

Xerox to use AT&T design technology

By **Louise Kehoe** in San Francisco

AT&T Microelectronics, the semiconductor production subsidiary of the US telecommunications company, is to provide semiconductor manufacturing and design technology to Xerox Corporation, the companies said yesterday.

An agreement between the two companies calls for Xerox to use AT&T's computer aided design tools to design application specific integrated circuit chips for use in future Xerox computer products.

Xerox has also obtained options to acquire AT&T's next generation of semiconductor process technology as it becomes available.

AT&T will manufacture most of the chips that Xerox designs using AT&T's design system.

Although the companies did not reveal the value of the chip sales AT&T expects to make to Xerox, the agreement appears to represent a significant step towards AT&T's goal of becoming a big player in the merchant chip market.

According to industry analysts, AT&T's chip production was valued at about $625m in 1988, giving it a position among the top 10 producers in the US.

All but 15 per cent of the microprocessors produced by AT&T were, however, used internally in the company's computer and telecommunications products.

AT&T is aiming to sell 50 per cent of all semiconductors it produces to outside customers by 1992, according to analysts at Integrated Circuit Engineering, a US market research group.

Allegheny rescue plan collapses

By **James Buchan** in New York

A PLAN by Allegheny International, the Pittsburgh maker of appliances and garden furniture, to rescue its business from bankruptcy with the help of the Wall Street firm of Donaldson Lufkin Jenrette has collapsed and left new questions about the survival of the company.

Allegheny was yesterday planning to try to recapitalise its consumer products businesses, which include such brands as Sunbeam irons and Oster blenders, while leaving the parent company and its liabilities in the bankruptcy court.

The company said yesterday it would soon file a plan of reorganisation with the court for its Sunbeam consumer products operation, which it said was basically profitable.

But Allegheny's creditors, weary of the company's dithering, are likely to ask the court to present their own plans.

The company's plan for Sunbeam follows Wednesday's collapse of a deal which called for Donaldson Lufkin to invest $60m in equity into Allegheny and finance a $750m payment to the company's creditors.

The deal failed because Allegheny cannot generate sufficient profit this year to meet projections made in its February agreement with Donaldson Lufkin.

INTERNATIONAL COMPANIES AND FINANCE

Sony beats critics as profits double

By Ian Rodger in Tokyo

SONY, the Japanese consumer electronics group which seemed to many analysts to have lost its way in the mid-1980s, nearly doubled its consolidated net profits last year, thanks to booming sales of its products throughout the world.

Consolidated net income soared by 94.6 per cent to Y72.5bn ($508m), or Y241.7 per share, on a 37.9 per cent surge in sales to Y2,145.3bn for the year to March 31. The results include the first full year contribution from CBS Records, acquired in January last year.

The division had sales of Y340.2bn and Sony said that it had a large number of hit albums released during the year.

Sales of video equipment jumped 27.1 per cent to Y573.5bn, displacing audio products as the group's largest business. The company said that its 8 mm products, which have struggled to establish themselves in the market, enjoyed a large sales increase, as did broadcast-use video tape recorders.

Audio equipment sales rose 17 per cent to Y560.8bn, mainly due to strong demand for compact disc players. Television sales were up 8 per cent to Y341.8bn. Other sales gained 21.6 per cent to Y329.1bn, led by semiconductors, other electronic components and the group's new lines of computer disk drives and workstations.

Pre-tax profits of the parent company rose 77.9 per cent to Y77.2bn on sales of Y1,258.3bn, which were up 22.2 per cent.

TDK, maker of magnetic tape and electronic components, reported consolidated results for an exceptional four month period to March 31 because of a change in year end. Net earnings were Y6.3bn, or Y50.15 per share, on sales of Y138bn. In the last full year to November 31 1988, the company had net earnings of Y22.3bn on sales of Y418.4bn.

The company said that sales of recording media and electronic components to many industries were favourable. It is forecasting a parent company pre-tax profit of Y45bn in the current fiscal year.

More Japanese results, page 35

Japanese traders announce record profits

By Our Financial Staff

JAPAN'S major trading houses yesterday posted record net profits for the year ended March 31 and attributed the rise to an increase in Japanese imports and increasing domestic demand.

The Big Five trading houses — Mitsubishi Corporation, C. Itoh, Marubeni, Mitsui and Sumitomo Corporation — also said that the vigorous profit performance was due to persistent efforts to restructure their operations.

The restructuring was necessary because of a substantial drop in exports caused by the sharp depreciation of the dollar against the yen since September 1986, the companies said.

Marubeni, which achieved the highest rate of growth, reported that parent company net profit jumped 53.4 per cent to Y15.10bn ($107m) from Y9.84bn the year before. Sales increased 7.4 per cent to Y14,189bn, thanks to a 17.5 per cent surge in domestic sales.

C. Itoh posted net profit of Y15.55bn in 1988/89, up 43.7 per cent from Y10.82bn in 1987/88. Revenues rose 4.2 per cent to Y15,555bn and the company attributed the good performance to the "smooth expansion" of the Japanese economy, led by strong internal demand.

Mitsui reported that parent net profit rose 29.4 per cent to Y16.61bn, from Y12.84bn in 1987/88. Sales rose from Y14,131bn to Y14,827bn.

Mitsubishi reported a 26.6 per cent rise in parent net profit to Y33.1bn in 1988/89 from Y26.14bn a year earlier, helped by a rise in sales from Y12,282bn to Y13,831bn. Although fuel sales fell 10.9 per cent due to oil price decreases, other sales increased smoothly.

Sumitomo had parent net profit of Y27.41bn in 1988/89, up 8.2 per cent from Y25.33bn the year before, its 11th consecutive year increase. Overall sales increased 6.4 per cent to Y14,571bn.

The Big Five are also optimistic about this year.

Marubeni forecasts parent net profit in the year to March 31, 1990 of Y16bn against the Y15.1bn in 1988/89, C. Itoh forsees Y18bn (Y15.55bn), Sumitomo predicts Y30bn against Y27.41bn and Mitsui sees profits of Y21bn against 16.61bn.

MITSUBISHI MOTORS ADVANCES 16.5%

Mitsubishi Motors, Japan's fourth-largest car maker, in which Mitsubishi Corporation has a 10 per cent interest, raised unconsolidated net earnings by 16.5 per cent in the year to the end of March, to Y12.84bn, or Y16.59 per share, from Y11.02bn, or Y15.66 per share, in the previous year. Net revenues were up by 8.3 per cent to Y1,898.8bn, compared with Y1,752.7bn the year before.

Domestic vehicle sales, including trucks and buses, rose to 626,215 vehicles, compared with 581,804, although exports fell to 637,649, as against 664,873 in the previous year, with compact truck exports falling because of higher US import duty and increased overseas production.

Bond Corp obtains loan from HK subsidiary

By Michael Marray in Hong Kong

THE Hong Kong-listed Bond Corporation International (BCIL) has agreed to help out its heavily indebted Australian parent, Bond Corporation Holdings (BCH), by extending to it a short-term loan of HK$400m (US$51.5m).

The loan will be repaid by the end of next month. The agreement allows BCH to gain immediate access to some of the cash it will get as a special dividend payment. This is to be paid to BCIL shareholders following the HK$2.26bn disposal of the company's 50 per cent stake in the Bond Centre office building in Hong Kong.

The funds have been advanced at a commercial interest rate of Hibor (the Hong Kong interbank offered rate) plus 3 per cent, and will be repaid either on June 30 or when the special dividend is paid, whichever is the earlier. The payout will follow the completion of the Bond Centre transaction on June 26. The 70 cents-a-share special dividend will release HK$935m to BCIL shareholders, of which about HK$617m is bound for BCH.

Nestlé shareholders limit foreign holdings to 3%

By William Dullforce in Geneva

NESTLE'S shareholders have approved amendments to the food group's articles of association limiting the number of shares and voting rights that can be held by one person or legal entity to 3 per cent of the total.

Objections voiced by some lawyers and bankers to these restrictions and to other changes intended to tighten Nestlé's defences against takeover bids were swept aside by big majorities in favour of the amendments.

The Nestlé board indicated last November, when it freed its registered stock to foreign ownership, that it would ask for the amendments.

Dissenting shareholders claimed that their rights were being undermined and that the management's control of the company was being enhanced at shareholders' expense.

However, Mr Paul Jolles, chairman, told the annual general meeting that the purpose of the measures was to prevent a situation arising "where the majority of the shareholders would run the risk of being ambushed by a raider and being held hostage."

The best protection for a company was for the price of its shares to be as close as possible to its real value — but that alone was not enough, he said.

Switzerland had no rules covering stock market transactions and takeover bids, and companies were left to fend for themselves. The objective of the changes was to safeguard the independence of the company, not to restrict shareholders' rights or to erect a line of defence around the board of directors, Mr Jolles said.

The board aimed at maintaining Nestlé's Swiss character and expected that Swiss shareholders would continue to form the largest shareholder group, he added.

Last month Mr Helmut Maucher, managing director, said that 20-25 per cent of the registered shares were held by foreigners. But one private banker in Zurich has estimated that, including the bearer shares, more than half the Nestlé stock was now in foreign hands.

Fiat may lift shares in buyback

By John Wyles in Rome

FIAT management is considering recommending a share buyback to a meeting of the company's board next Tuesday as the most promising means of lifting the company's share price out of the doldrums.

The share price has been low for more than two years. Fiat believes that the present Milan price — the stock has traded between L7,600 ($5.2) and L10,455 all year — inadequately reflects both past performance and future prospects.

But neither upbeat speeches by the president, Mr Gianni Agnelli, or his managing director Mr Cesare Romiti, nor glowing newspaper articles has produced much change in investor sentiment.

The most common explanation is that too many shares are still hanging around in the market after the failure to place the bulk of the $3.1bn worth of company stock sold to Fiat by Libya's Colonel Gadaffi at the end of 1986.

As a result of this exercise, Deutsche Bank has a "permanent participation" with 2.63 per cent of Fiat, but other underwriters and institutional investors are still looking for opportunities to sell.

The run-up to the Libya deal could be said to have seen the most recent buyback of Fiat stock by Fiat interests, when Mr Agnelli's family holding made purchases which helped to push the share price up to L16,000 — a level which is a distant peak in relation to yesterday's closing price of L9,110.

Danish food groups merge

By Xueling Lin in Copenhagen

MD FOODS, the largest dairy product maker in Denmark, has merged with one of its rivals, Nordjysk Mejeriselskab, to form the largest food concern in Scandinavia.

The two Danish companies will have a joint turnover of about DKr14bn ($1.8bn). MD Foods, which controls more than 80 per cent of Danish milk production, had a turnover of DKr11bn last year and is the dominant merger partner.

Plans to change the co-operatively owned MD Foods into a private company were announced this year and are expected to be completed by 1990.

The merger with Nordjysk is part of a re-structuring plan by MD Foods, which has changed its name from Mejeriselskabet Denmark.

Mr Ernst Skoedt, director of MD Foods, has said that the company plans to conquer the international market.

MD Foods International Dairy Products, a subsidiary, owns 75 per cent of Danya Food in Saudi Arabia and 50 per cent of Brazilian company Dan-Vigor.

MD Foods exports cheeses such as Danablue, Hoeng camembert and Buko cream cheese to several EC countries, including the UK.

Japanese insurer in Italy

By Alan Friedman in Milan

SUMITOMO Marine and Fire Insurance, Japan's fourth biggest insurer, is to become the first Japanese insurance company to open an office in Italy.

The plan to open a representative office in Milan next month was announced yesterday by La Fondiaria, the third biggest Italian insurer, which has signed a co-operation accord with Sumitomo.

La Fondiaria, the Florence-based company that is controlled by Mr Raul Gardini's Ferruzzi group, said that it has agreed to help Sumitomo with legal and technical matters related to the Japanese company's plans to open a Milan office to serve Japanese clients in Italy.

Sumitomo, meanwhile, has promised to help Fondiaria to open its own Tokyo office this year, so that the Italian insurer can serve Italian clients with a presence in Japan.

● General Motors of the US and Fabbrica D'Armi Pietro Beretta of Italy have settled a $500,000 lawsuit brought against the vehicle maker by Beretta last year over use of the Beretta name on a Chevrolet coupe. The money will go to the Beretta Foundation for Cancer Research and Treatment.

New terms for Magnet buy-out

By David Waller in London

MR TOM Duxbury and his boardroom colleagues at Magnet have given in to institutional pressure over the terms of the preference element of their £629m ($988m) buy-out bid for the Yorkshire-based kitchen and bedroom furniture company.

The institutions objected to the fact that for their preference shares they were offered only 25p in cash plus a high-yielding replacement preference share valued by Hoare Govett, the London stockbroker at 80p.

They are now being offered 90p in cash for each convertible, while the terms of the original cash/preference combination have been slightly sweetened with the cash element raised from 25p to 30p a share.

Lend Lease rights issue offsets payout

By Chris Sherwell in Sydney

LEND Lease, Australia's largest listed property group, yesterday announced a A$112m (US$83.7m) one-for-10 rights issue to supplement capital needs and offset the impact of a special interim dividend.

The franked dividend, also announced yesterday, is of 15 cents per share. The group also promised a final dividend of 27 cents which, with the earlier interim of 27 cents, will take the year's total to 69 cents.

The rights issue is priced at A$7.50 per share, well below the Wednesday's market price of A$10.70, and is the first Lend Lease has made since 1978.

"Directors currently support the trend towards higher payout ratios by way of dividends, especially where these dividends are fully franked," said the group. "As a consequence there is a requirement to supplement working capital from time to time."

Mr Stuart Hornery, chairman and chief executive, explained that shareholders and the business would benefit from a franking rate of 49 cents in the dollar if the dividend was made before the end of June. After that the rate would fall to 39 cents.

He also said that the group would make a one-off change to its dividend plans so that shareholders can use this year's dividends to take up shares instead of cash.

If everyone elected to receive cash, that would represent a payout of more than A$100m — significantly less than the amount to be raised through the rights issue.

In February Lend Lease reported an after-tax profit of A$67.7m for the six months to December, up 12 per cent on the year-earlier period.

INTERNATIONAL COMPANIES AND FINANCE

MUI chief pays S$36m settlement

By Wong Sulong in Kuala Lumpur

TAN SRI Khoo Kay Peng, the Malaysian entrepreneur who heads the diversified Malayan United Industries group, has confirmed he has made a payment of S$36m ($18.4m) to the Singapore authorities to settle a case which resulted in the collapse of Pan-Electric Industries in 1985.

Following the payment, the Singapore authorities said they would not take further action against him.

The settlement clears uncertainty surrounding Tan Sri Khoo and MUI since the Pan-Electric collapse. Persistent rumours that the Singapore Government was seeking to extradite him to face charges had depressed MUI's share price and prevented the group from expanding in spite of its strong cash flow.

Pan-Electric, which was involved in hotels, marine engineering and salvage work, collapsed in December 1985 with debts exceeding S$450m, largely due to forward share contract obligations.

The circumstances of Tan Sri Khoo's involvement in the Pan-Electric debacle, which caused an unprecedented three-day closure of the Singapore and Malaysian stock exchanges, are still unclear.

Mr Glenn Knight, *director of* Singapore's commercial affairs department, said that in the course of its investigations into Mr Peter Tham, a stockbroker and director of Pan-Electric, it *had discovered* that Tan Sri Khoo had benefited from Mr Tham's activities.

However, Malaysian businessmen who are familiar with Tan Sri Khoo's business say he was not involved in illegal activities, adding that the problem arose in late 1982 when MUI made a takeover offer for Kwong Lee Bank (since renamed MUI Bank) through a share exchange.

The leading shareholders of Kwong Lee had wanted cash, and they were introduced to Mr Tham, who underwrote the MUI shares at 3.5 ringgit each. MUI shares were then traded at about 5 ringgit.

However, MUI shares plunged during the stock market crash in 1983 and Mr Tham was left with heavy losses, which he tried to cover up through *his share* manipulations in Pan-Electric.

"Tan Sri Khoo probably feels he is morally responsible for triggering the chain of events which led to the Pan-Electric collapse by introducing Peter Tham to the Kwong Lee Bank owners," said one Malaysian businessman.

Mr Tham is currently serving an eight-year jail term in connection with the Pan-Electric collapse.

Credit Suisse cuts back in UK

By Clive Wolman

CREDIT SUISSE Buckmaster and Moore, the UK securities subsidiary of the Swiss bank Credit Suisse, yesterday made 70 people redundant through the closure of its market-making and research operations in UK equities and traded options.

The firm, which was based on a merger in 1986 of the former stockbroker Buckmaster and Moore and small jobbing firm Harold Rattle, has been making markets in stocks from the mining, electricals and stores sectors. The firm had previously withdrawn from making markets in food and brewery stocks.

Market-making in mining stocks is being transferred to the associated company Credit Suisse First Boston, a joint venture between the Swiss bank and the US investment bank First Boston which is a leading firm in the Euromarkets.

Of the 150 staff employed by Buckmaster, the 70 redundancies will come from traders, salesmen, analysts and settlements clerical staff. About 30 staff are likely to be employed by Credit Suisse First Boston and the remainder will be transferred to the fund management arm of Buckmaster. It will have responsibility for running a skeletal agency broking operation which will service primarily Credit Suisse fund managers and private clients worldwide, relying mainly on research into stocks provided by other firms.

Although market-making in mining stocks has generally been profitable, the firm has consistently suffered losses in its other market-making and agency broking activities since the 1986 Big Bang reforms.

Better margins lift FVB to R285m pre-tax

By Jim Jones in Johannesburg

FEDERALE Volksbeleggings (FVB), the South African industrial holding company, lifted profits by slightly more than a third in the year to March 31 1989 but is cautious about the present year's prospects as consumer spending is slowing.

Turnover advanced to R3.37bn ($1.2bn) in the year to March from the preceding year's R2.86bn; the operating profit before interest and tax increased to R330m from R237m; and the pre-tax profit rose to R285m from R209m.

The directors say operating margins improved and contributed to the improvement in profits.

Earnings per share rose to 85.3 cents last year from 17.5 cents.

Israel Chemicals hoists income

By Hugh Carnegy in Jerusalem

ISRAEL CHEMICALS (ICL), the country's biggest state-owned industrial group, has announced sharply increased *pre-tax profits for 1988 of $74m* on turnover of $1.08bn.

It said bouyant prices on world markets, reduced energy prices and a cut in *its labour* force had helped increase profitability from a pre-tax figure of $10.9m in the last nine months of 1987. Net profits in 1988 were $47m.

Exports rose 20 per cent to $542m last year, while sales by ICL's four subsidiaries in West Germany and the Netherlands contributed $300m to turnover.

The group exploits Israel's main natural resource, potash, and makes phosphates, fertilisers and bromine.

It is 100 per cent owned by the Government but its strong profit record means it tops the list of state industries the Government intends to privatise.

Others include the country's oil refineries, the telecommunications authority Bezeq and El Al, the national airline.

First Boston, the US-based securities underwriter and dealer, is due to produce a prospectus on ICL in two months time.

The Government plans a private placement of 50 per cent of the company, followed by a public flotation of 20 per cent *and disposal of four per cent to* ICL employees. The balance will stay with the Government, which may also hold a golden share.

ICL's total assets at the end of last year were shown at $1.42bn with equity capital of $507m.

It spent $83m on investment last year mainly in its profitable subsidiaries, Dead Sea Works and Bromide Group. It plans a further $100m investment programme this year.

New Straits tumbles

NEW STRAITS Times Press, *Malaysia's biggest largest* media group, has reported a 42 per cent drop in group operating profits to 6.2m ringgit (US$2.3m) for the six months to February, on a turnover which was almost unchanged at 111m ringgit, writes Wong Sulong in Kuala Lumpur. The company is cutting its interim dividend to 6.5 cents from 8 cents.

(Advertisement)

DAI-ICHI KANGYO BANK

DKB ECONOMIC REPORT

May 1989: Vol. 19, No. 5

Prospects for the Japanese Economy in F'89 —Firm expansion to continue—

BOJ maintains current monetary policy

A neutral posture in the fiscal policy management is anticipated in F'89 as in F'88 under the sustaining economic expansion. *In other words*, public investment in F'89 will remain at around the same level as F'88 without any significant increase.

The tax reform as a whole is expected to become a slight plus factor for the economy, because its net outcome will be positive, stemming from the elimination of the existing indirect taxes including commodity tax, as well as income tax and corporate tax reductions, versus the initiation of the new consumption tax.

It is predicted, based on the undermentioned prospects for the economy and prices, that the monetary policy will continue to be neutral relative to business and price trends. The monetary authorities will have a limited possibility to tighten their stance, and the level of the interest rates will be *held* generally low in F'89.

Prices remain stable

Commodity prices are expected to basically maintain stability (consumer price inflation rate: 2.5% in F'89; wholesale price inflation rate: 0.8% in F'89).

In the first quarter of F'89, however, a substantial rise in commodity prices may occur, stemming from the initiation of the consumption tax. The impact of the consumption tax in pushing up commodity prices will be 0.6% in wholesale prices and 1.5% in consumer prices in F'89, when the contrast effect of the eliminated commodity tax is also covered, according to our estimates. Nevertheless a stable note of commodity *prices is expected when the effects of* the consumer tax is excluded because: (1) the yen on the exchange market will take a mildly upward course; (2) a further rise in crude oil prices is not likely; and (3) the price curbing effect of inexpensive foreign goods imported into Japan will continue.

Economy continues healthy expansion

The Japanese economy in F'89 is predicted to continue its expansion *throughout the year, reflecting increases* in domestic demand driven by personal consumption and capital investment.

Its real annual growth rate is estimated at *4.8%* and *4.5%* in *F'88* and *F'89* respectively, and in the case of nominal growth rate, 5.5% and 6.8%.

Trade surplus expands

An increase in the trade surplus (in dollar-based value from $95.3 billion in 1988 to $98.2 billion in 1989) is anticipated because of firm expansion in exports and slackening growth in imports.

It is expected that swelling deficits will continue in the services balance (from −$14.6 billion in 1988 to −$25.3 billion in 1989) reflecting a sizable increase in payments for overseas travel and interests on external loans, although receipts will also increase substantially, in particular, returns on overseas investments.

The current account balance of payments will continue to reduce its surplus in F'89 successively from F'88 (from $75.5 billion in 1988 to $66.2 billion in 1989), despite the swelling surplus in the trade balance, caused by increases in the services balance deficit as well as in the transfer balance deficit arising from such factors as the augmented ODA (official development assistance).

In summary, the Japanese economy in F'89 is predicted to sustain its sound expansion, while commodity prices basically remain stable. Thus, a generally favorable condition as a whole is likely to continue. Trade conflict, however, will intensify and Japan is expected to face severe situations, since improvements in the trade imbalances both in Japan and the U.S. are slow to transpire.

World Economic Environment

	1987	1988	1989
		(Calendar)	
World economic growth (%; inflation-adjusted)	3.4	3.9	3.3
U.S. economic growth (%; inflation-adjusted)	3.4	3.9	2.7
World import volume growth (%)	7.2	8.4	6.8
		(Fiscal)	
Primary product price increase (%; excluding crude oil)	17.9	19.2	▲1.9
Crude oil price per barrel ($; CIF)	18.2	14.9	16.0
Yen-dollar exchange rate (¥)	138.32	128	121

Japanese Economic Outlook for 1988 - 89

	1987 (FY)		1988 (FY)		1989 (FY)	
GNP (nominal)	5.0		5.5		6.8	
GNP (real)	5.2		4.8		4.5	
Private domestic demand	7.2	(5.8)	7.7	(6.3)	6.2	(5.2)
Private final consumption	4.5		4.4		4.8	
Private housing investment	25.6		7.7		0.9	
Private capital investment	*10.0*		*16.3*		*12.3*	
Change in business inventories	1,274.0		2,027.1		1,575.0	
Public demand	2.2	(0.4)	1.6	(0.3)	3.2	(0.5)
Government final consumption	▲0.9		2.3		3.0	
Public capital formation	*10.0*		*1.7*		1.5	
Net exports	5,146.7	(▲1.0)	▲645.5	(▲1.8)	▲4,652.1	(▲1.2)
Exports & others	5.2		8.5		6.9	
Imports & others	12.6		20.9		13.4	
Wholesale prices	▲2.0		▲0.7		0.8	
Consumer prices	0.5		0.8		2.5	
Current balance	84.5		75.5		66.2	
Trade balance	94.0		95.3		98.2	
Exports	233.4		264.6		291.9	
Imports	139.4		169.3		193.7	
Services balance	▲5.7		▲14.6		▲25.3	
Transfer balance	▲3.9		▲5.2		▲6.7	

Note 1. Japan's fiscal year begins in April and ends in March.
2. ( ): Contribution of each component to GNP growth.
3. Unit: Percent changes for commodity prices and GNP (billion yen for change in business inventories and net exports), billion dollar for current balance.

INTERNATIONAL COMPANIES AND FINANCE

Japanese trio show record gains

By Stefan Wagstyl in Tokyo

HITACHI, Toshiba and Mitsubishi Electric, three of Japan's largest, comprehensive electrical and electronics companies, yesterday reported sharp annual profit increases due to strong demand, including soaring investment in plant and equipment by Japanese industry.

Consolidated pre-tax profits rose by an average of 36 per cent to record levels in the year to the end of March, a clear sign of the Japanese electronics industry's ability to cope with the impact of the high yen.

The companies said the launch of world-beating products such as 1 megabit memory microchips and laptop computers played a central role in their performance. Advances in electronics more than compensated for lacklustre sales of consumer electrical goods and some kinds of heavy equipment, including power stations.

All three groups forecast further solid increases in profits and sales in the current year. Toshiba, in particular, said it expected sales of semiconductors to remain strong for the rest of this year.

At Hitachi, pre-tax profit rose by 48 per cent to Y491bn ($3.4bn) *on an increase of 12* per cent in sales to Y6,401bn. Net profits were 35.6 per cent up at Y185.6bn. Sales of electronics equipment, including computers and semiconductors, rose 19 per cent; industrial machinery by 16 per cent; power systems by 10 per cent; wire and cables by 10 per cent and consumer products by just 1 per cent. Sales of video recorders were down.

Hitachi spent Y373bn in research and development, a 13 per cent increase, and Y532bn (a 44 per cent increase) on plant and equipment investment, much of it in electronics.

Toshiba's consolidated sales rose by 6 per cent to Y3,801bn generating an 87 per cent rise in pre-tax profits to Y235bn.

Net income was up 97 per cent to Y119bn. *Sales in* the information, communication system and electronic devices division rose 22 per cent, led by a 28 per cent increase in semiconductor sales and a 20 per cent rise in laptop computers. Sales of consumer goods were up just 3 per cent and turnover in the heavy electrical division fell by 17 per cent.

Toshiba is raising capital investment to Y320bn from Y270bn, including a planned Y64bn (Y58bn) investment in semiconductor factories.

Mitsubishi Electric, which is the top defence electronics company in Japan, raised consolidated profits by 105 per cent to Y128.9bn pre-tax on a 14.6 per cent increase in sales to Y2,716bn. Net profits rose to Y53.2bn (Y22.2bn). Sales of electronics equipment, including microchips, computers and defence equipment, rose, as did those of industrial equipment, including machine tools.

Mitsubishi forecast consolidated profits of Y150bn pre-tax for the current year on sales of Y2,900bn.

Honda slips 5% at pre-tax level

By Stefan Wagstyl

HONDA MOTOR, the Japanese car and motorcycle company, suffered a 5 per cent fall in pre-tax profits to Y172bn ($1.2bn) in the year to March due to a decline in foreign exchange gains which wiped out an increase in operating profits.

Reporting consolidated results yesterday, Honda said sales rose to Y3,489bn, an increase of 7.9 per cent, due to strong demand for cars in Japan and North America.

For the current year, Honda estimated that the increase in profits would be held in check by rising costs of labour and materials and of heavy investment.

Since the company last year changed its year end, the 1989 results were compared with figures for the previous 13 months, adjusted hypothetically for a 12 month period.

In automobiles, sales rose 11 per cent to Y2,460bn and in motorcycles by 2.2 per cent to Y354bn. Sales of power products including lawn mowers dropped 27.4 per cent to Y103.6bn, due to poor sales in *North America. Sales of parts* and other revenues increased 8.2 per cent to Y571.8bn.

The company's operating income rose 9.1 per cent to Y177bn, which Honda said was due to increases in sales at home and abroad and in prices in overseas markets, plus the impact of cost-cutting.

However, this increase was turned into a decrease in profit at the pre-tax level by a sharp decline in foreign exchange gains which pushed down interest and other non-operating income from an adjusted Y48.4bn to Y28.8bn. Net after-tax income fell 2.9 per cent to Y97.2bn or Y98.48 per share.

Honda is planning to raise capital spending by 10.3 per cent to Y130bn this year, including Y93bn to be spent on cars, especially new model development.

For the parent company, Honda reported pre-tax profits of Y89.3bn on sales of Y2,637bn. For the current year it forecasts profits of Y91bn on sales of Y2640bn.

● Hino Motors, the Japanese truck maker, reported increases in parent company annual sales and profits due to strong increases in demand at *home and overseas. Sales in* the year to the end of March, rose 23.8 per cent to Y535.1bn, with a 21 per cent increase in domestic sales and a 18 per cent rise in exports. The company, which is an affiliate of Toyota Motor, increased sales of vehicles produced for Toyota by 14 per cent.

Profits rose 67.4 per cent to Y16.6bn pre-tax and by 42.3 per cent at the net level to Y5.8bn.

Tough Japanese food market hits Ajinomoto

By Stefan Wagstyl

AJINOMOTO, Japan's largest food processing company, posted modest increases in sales and profits.

The company suffered from intense competition in the Japanese food industry, including price markdowns in important lines such as coffee.

For the year to the end of March, Ajinomoto said that parent company pre-tax profits rose 4.5 per cent to Y33.1bn ($234m) on an increase in sales of 6.4 per cent to Y460bn.

Sales growth in the mainstay seasonings business was 0.6 per cent but foodstuffs sales rose by 8.2 per cent and oils and fats by 10.4 per cent.

The group said that lower material costs and rationalisation boosted margins. However, the company wrote off Y1bn in accumulated losses on a joint venture in France.

Ajinomoto will pay a Y12 dividend. It expects sales to rise this year to Y490bn and profits to Y34bn.

● Snow Brand Milk Products, the country's biggest supplier of dairy produce, lifted annual pre-tax profits 8 per cent to Y16.8bn. Revenues were up 3 per cent to Y476bn.

Pioneer posts six-month profit

By Our Tokyo and Financial Staff

PIONEER Electronic, the Japanese audio equipment maker, yesterday reported group net earnings of Y9.8bn ($69m) and sales of Y224.9bn for an irregular six-month period ended March 31, 1989. It has changed its business year end to March 31 from September 30.

The company said its results *reflected favourable sales in* each of its four product groups, especially in audio products.

Pioneer expects parent company net profits of Y15.5bn, pre-tax profits of Y25bn and sales of Y320bn in the year ending March 31, 1990.

● Casio Computer, the watch and calculator maker, announced a pre-tax profit of Y5.89bn for an irregular period of six months and 11 days to the end of March, and said that a better cost-to-sales ratio meant higher earnings despite *a small drop in sales.*

Although comparison was made difficult by the awkward period, the company reported increasing sales of hand-held computers, electronic musical instruments and small electronic memory equipment.

Total sales were Y117.7bn. This year, the company expects a pre-tax profit of Y12.5bn on sales of Y255bn.

● Fuji Electric, an electrical machinery maker with close ties with Fujitsu and Siemens of West Germany, reported a 75 per *cent increase in unconsolidated* pre-tax profits for the year to Y15.6bn on sales of Y479bn. The net profit was Y7.1bn (Y5.0bn).

Iron pipe sales boost Kubota

By Ian Rodger in Tokyo

PRE-TAX PROFITS of Kubota, the farm equipment and iron pipes group, rose *18.5* per cent to Y84.6bn ($242m) in the year to March 31, 1989. However, the comparison is slightly understated because the company's previous year covered only 11 months and 15 days.

Sales were up 12.3 per cent to Y626.5bn, mainly on the strength of a 24.8 per cent rise in sales of ductile iron pipes. Industrial machinery, environmental facilities and housing equipment and materials also sold well. According to the company, the farm equipment division grew slightly after *declining in the previous year.*

The company has declared a special dividend of Y0.5 per share in addition to the normal Y2.5 final dividend, making Y5.5 for the year.

Kubota expects pre-tax profit in the current year to be Y36bn, little changed from last year.

● Fuji Heavy Industries, maker of Subaru cars, reported lower profits and sales in the year to March 31, 1989 because of lower car exports.

Pre-tax profits fell 14.9 per cent to Y13.9bn on sales of *Y663.4bn, down 3.3 per cent.* The company said domestic car sales rose 2 per cent to 325,000 units while exports dropped 14.5 per cent to 260,000 units. Foreign exchange losses totalled Y15.6bn.

In the current year, the company expects a recovery in sales due to higher exports and the introduction of new models. However, pre-tax profits could be flat because of heavy marketing costs in connection with the new models.

Fujitsu leaps 66%

By Ian Rodger

CONSOLIDATED NET income of Fujitsu, Japan's largest computer manufacturer, jumped 66.1 per cent to Y69.9bn ($490m) or Y39.74 per share on *sales up 161.6 per cent to* Y2,387.4bn.

Fujitsu said sales of telecommunications products were up 15.6 per cent to $375.5bn, while computers and data processing equipment revenue rose 15.1 per cent to Y1,578.6bn. Sales of electronic components, including semiconductors jumped 30.5 per cent to Y334.3bn. Overseas sales, including exports and local production, rose 16.7 per cent to Y528.3bn.

INTERNATIONAL CAPITAL MARKETS

Foreign firms win review of Japanese capital curbs

By Michiyo Nakamoto in Tokyo

FOREIGN securities firms in Japan have successfully persuaded the Ministry of Finance to reconsider the way it is planning to tighten capital adequacy rules for the industry.

Foreign firms were concerned that stricter rules to be introduced next April would overlap with existing regulations and place severe restrictions on their business.

The MoF now says it will review existing rules and that it is prepared to remove those that would overlap with the new regulations.

The new standards are being introduced in response to moves in world capital markets to tighten controls on capital adequacy in the securities industry, following similar moves in banking.

The measures hit foreign firms in Tokyo particularly hard because they are small in comparison with the heavily capitalised domestic firms.

The new rules will require securities firms to have sufficient net worth to cover overall market, customer and running-cost risks. Existing rules place restrictions on the proportion of total capital that can be committed to positions in specific markets.

Together they would make it more costly for brokers to participate in markets with high risks, such as warrants and futures trading, which are also areas where foreign brokers have made a substantial proportion of their profits.

While a number of foreign securities firms have said they were still studying the effects the new rules could have on their Japanese businesses, Mr John S. Wadsworth, president of Morgan Stanley Japan, welcomed the new rules as being a positive step forward in bringing the market 'into line' with others in the world.

Meanwhile, several foreign brokers, including Citicorp Scrimgeour Vickers and Schroder Securities, have already increased their capital in Japan in a move to meet the rules on capital adequacy and risk management.

Citicorp Scrimgeour Vickers more than doubled its capital to Y8.15bn ($57m) in early April while Schroder Securities increased its net worth by Y1bn to Y4bn, also in April.

James Capel plans to increase its capital substantially, although the exact amount and timing has yet to be decided.

Officials at both James Capel and Schroder Securities said their capital raising moves were aimed only in part to meet the new requirements.

It would have been necessary to raise capital anyway, an official at James Capel said, as business in Japan was expanding.

INVESTORS may have to disclose purchases of more than 5 per cent of any listed company in Japan if a draft provision agreed by a sub-committee of the country's Securities and Exchange Council becomes law, Reuter reports.

The provision would probably take effect towards the end of 1990. They would include holdings on margin, convertible bonds and equity warrants of companies listed on stock exchanges and over-the-counter markets.

Investors would have to report reasons for making the stock purchase and where the money came from. Undetermined penalties would be applied for noncompliance.

Sweden approves currency legislation

THE SWEDISH parliament yesterday approved legislation which gives the central bank the authority to lift Sweden's remaining foreign exchange regulations, Reuter reports.

The legislation, including new tax controls, allows the central bank to go-ahead with deregulation of the Swedish bond market which it has said it will do as quickly as possible.

Bond traders said that throughout the week the central bank had intervened on the credit market, hoping to drain liquidity and keep interest rates steady ahead of possible deregulation.

The central bank confirmed it had been in the market but declined to say whether it bought or sold and in what volume. However, its action has driven overnight rates in Stockholm higher, forcing the banks to borrow at 12 per cent.

Speculation that bond market deregulation was imminent pushed credit market yields down by between 25 and 30 points this week, while T-bill rates fell 10 points.

Yesterday's legislation calls for the lifting of restrictions preventing foreigners buying krona-denominated paper and Swedes buying bonds abroad.

Analysts disagree about whether the central bank squeeze on liquidity is temporary.

They expect the authorities to give direction, when announcing a repurchase agreement today, and add liquidity to the market.

One money broker said: "We will need a SKr20bn repo to be able to borrow at 11 per cent from the central bank."

Pent-up foreign demand for Swedish bonds might help explain the recent strength of the krona, which has clawed back to under 131 over the past few days in spite of the surging dollar. At 130.22 its trade weighted index is within 75 basis points of its official ceiling.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on May 25

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9⅜ 95	600	100⅜	100⅝	-0¼	+0⅞	9.22
Austria 9½ 93	140	100⅜	100⅞	-0⅛	+0⅛	9.40
B.F.C.E. 7 92	150	93⅝	94⅛	-0⅛	+0⅛	9.53
B.F.C.E. 9¼ 95	150	99¼	99¾	-0¼	+0⅛	9.33
Brit. Tel. Fin. 9⅜ 98	250	100¼	100¾	0	+1½	9.28
Campbell Soup 9⅛ 93	100	†97⅞	98⅜	-0½	+0½	9.67
Canada 9 96	1000	100⅜	101¼	-0⅛	+0⅞	8.78
Canadian Pac 10⅜ 95	100	†101⅝	102⅛	0	+2⅞	10.15
C.C.C.E 9¼ 95	300	99¾	100¼	-0¼	+0⅞	9.26
C.N.C.A 9⅛ 93	150	99⅜	100⅛	-0¼	+0½	6.40
Credit National 8¼ 93	200	96	96⅛	-0¼	+0¼	9.47
Credit National 7⅛ 92	100	94⅝	95⅛	-0⅛	+0⅛	9.46
Credit National 9½ 92	160	100⅝	101⅛	-0¼	+0⅛	9.17
Dai-Ichi Kan 9⅜ 92	150	99⅝	100⅛	-0⅜	+0¼	9.59
Denmark 7⅛ 92	500	93¾	94⅛	-0¼	+0⅛	9.66
E.E.C. 7 91	100	94½	95	-0¼	0	9.39
E.E.C. 7¼ 93	250	93⅛	93⅝	0	+0½	9.31
E.E.C. 10 93	140	102⅛	102⅝	0	+0¼	9.26
E.I.B. 7⅜ 93	100	93½	93⅞	-0⅛	+0⅜	9.38
E.I.B. 9⅜ 97	150	100¾	101¼	-0¼	+1	9.18
Eurofima 10⅛ 93	100	†102	102⅞	-0⅝	-0¼	9.34
Elec. De France 9 98	200	98¼	98¾	-0⅛	+1¼	9.25
Elec. De France 9½ 99	200	100⅞	101⅛	-0⅜	+1¼	9.33
Finland 7⅞ 97	200	92⅛	92⅝	0	+1¼	9.24
Finn. Exp. Cd. 8½ 92	200	97¼	97¾	-0¼	0	9.53
Finn. Exp. Cd. 9⅜ 95	200	99¾	100⅛	0	+0¾	9.35
Ford Motor Credit 8 91	250	†96⅞	97⅜	0	+0⅛	9.76
Gen.Elec.Cap.Corp. 9 93	500	†98⅛	98⅝	0	+0⅜	9.43
Gen.Elec.Cap.Crp.10 1/2 91	300	101⅝	102⅛	-0⅛	0	9.29
Gen.Mtrs.Corp. 9⅛ 92	200	98½	99⅛	-0⅛	+0⅜	9.58
IBM Credit Corp. 8⅞ 91	250	98½	99⅛	-0¼	+0½	9.43
IBM Credit Corp. 9½ 92	250	100½	101	-0⅛	+0⅜	9.15
IBM Credit Corp. 10 92	200	101⅝	102⅛	-0½	+0⅜	9.24
Italy 9½ 95	1000	100⅝	101⅛	-0¼	+0⅞	9.29
Italy 9⅝ 99	1000	†101⅛	101⅝	-0⅜	+0⅞	9.39
Japan Dev. Bank 10 96	200	103¼	103¾	-0⅜	+0⅞	9.29
L.T.C.B. of Japan 9¼ 92	200	99	99⅜	-0¼	+0¼	9.52
Metropolis Tokyo 9½ 93	200	100⅜	100¾	-0⅜	-0⅛	9.30
Nippon Tel.&Tel. 9⅜ 98	250	100⅛	100⅝	-0⅜	+0⅞	9.30
Norway 8¾ 93	500	98	98⅜	-0¼	+0¼	9.34
Portugal 8¼ 91	300	†97	97½	0	+0⅛	9.94
Prudential Crp. 8⅞ 94	125	98¾	99⅜	-0⅛	+0⅜	8.99
State Bk S Aust 9¼ 93	100	†99¼	99⅝	0	+0⅜	9.43
Sumitomo Bank 9⅝ 92	150	†99¾	100¼	-0¼	+0¼	9.59
Sweden 7 91	250	94¾	95⅜	-0⅛	+0¼	9.41
Sweden 8¾ 96	200	97½	98	-0¼	+0⅞	9.20
Sweden 8½ 92	200	†97¼	97¾	0	+0¼	9.40
Toyota 9½ 91	200	99½	100	-0¼	+0¼	9.56
Victorian Rep 11⅜ 92	150	104⅞	105⅜	-0⅛	+0½	9.53
World Bank 7 92	300	†94⅜	94⅞	-0⅛	+0⅛	9.33
World Bank 9 97	300	98⅜	98⅝	-0¼	+0¼	9.26
World Bank 9 93	300	99¼	99⅝	-0⅛	+0⅜	9.14
World Bank 9¼ 98	300	100	100⅜	-0⅛	+1⅜	9.19
World Bank 9⅝ 99	500	102⅛	102⅝	-0¼	+1⅛	9.23
World Bank 9⅜ 96	300	102	102⅜	-0⅜	-0⅜	0.79

Average price change... On day -0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	94⅝	95⅛	0	0	7.11
Austria 6¼ 99	750	96⅞	97⅛	0	+0⅜	7.18
Bank of Tokyo 5¾ 93	100	94⅞	95⅜	0	+0⅛	7.27
Commerzbank o/s. 5⅞ 93	300	94¼	94¾	0	0	7.14
Credit Foncier 6¼ 99	500	96⅞	97⅛	0	+0⅞	8.20
Degussa Int. 6⅛ 97	200	91½	92⅛	0	-1⅝	7.49
E.I.B 5½ 98	150	88	88⅝	0	0	7.34
E.I.B. 6¼ 99	600	93¼	93⅞	0	+0⅛	7.20
E.I.B. 6⅛ 96	300	93¾	94½	0	-0⅛	7.21
E.I.B. 6½ 99	300	94⅞	95⅜	0	+0⅜	7.19
E.I.B. 6⅞ 95	300	98⅞	99½	0	+0½	7.04
Euro.Coal & Steel 5⅞ 97	175	91⅜	92⅛	0	-0⅜	7.30
Eurofima 6¼ 96	100	94¼	94⅞	0	+0½	7.24
Elec De France 5¾ 97	300	89⅝	90¼	-0⅛	-0⅛	7.46
Forsmark Krtg. 5⅛ 93	200	92¾	93⅜	+0⅛	+0⅛	7.27
Hydro-Quebec 6¾ 99	300	96¼	97	0	+0⅜	7.20
Japan Dev. Bk. 5⅛ 95	300	91½	92¼	+0⅛	-0⅞	7.10
Japan Finance 5¾ 97	100	91½	92⅛	0	-0⅛	7.15
Ireland 6½ 97	300	94¼	94⅞	0	-0½	7.44
Malaysia 6¼ 94	150	95⅝	96⅛	0	0	7.21
Nat. West BK. PLC 6 98	300	91¼	92	+0⅛	-0⅛	7.31
N.H.L. Finance 6¼ 95	200	†93¼	93⅞	0	0	7.55
Nippon Telg.&Tel. 6 95	400	94⅞	95⅜	+0¼	0	6.41
Oesters. Kontbk. 5 93	300	94½	95⅛	0	0	6.64
Portugal 5¾ 92	150	97	97¾	0	-0⅛	6.68
Portugal 6⅝ 95	150	97¾	98⅞	+0½	-0⅜	7.00
Privatbanken 5¼ 93	150	92⅞	93½	-0⅛	-0⅜	7.40
Royal Insurance 5½ 92	300	95⅛	95⅝	0	-0⅞	7.33
Soc Cent Nuclear 7¼ 95	150	99⅞	100	-0⅛	-0⅝	7.32
Turkey 6½ 95	500	†93¾	94¼	0	+0½	7.79
Union Bk. Finland 5½ 94	200	†94	94½	0	+0½	6.98
Westlb. Finance 5 93	200	†92½	93	0	-0¼	7.26
World BK. 6⅛ 97	600	94⅞	95	0	+0¼	7.52

Average price change... On day +0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†91	92	-0¼	+0¼	6.52
Asfinag 5 03	100	†90	90¼	0	+2⅜	6.05
B.F.C.E. 4½ 98	200	†89	89½	-0¼	+1½	6.06
B.M.W.Fin.Neth. 5 13	150	†86½	87	0	-0⅛	6.06
Britannia B/S. 4¾ 94	100	†91	91½	+0¾	+2	6.33
CIR. Int. W/W 3 93	125	†91	91¾	-1	0	5.44
Credit Lyonnais 4¾ 00	100	†84½	85	0	0	6.76
E.I.B 4⅝ 98	150	†89	89½	-0⅛	+1⅜	6.21
Fletcher Chall. 4⅞ 98	150	†88½	89	-0¼	+0⅞	6.59
Kobe City 4⅝ 98	150	†88	89	-0½	-0¼	6.32
Leeds Perm. B/S. 4¼ 93	200	†91¼	91¾	+0⅛	+0⅛	6.67
Malaysia 5¼ 98	100	†85	85¼	0	+2	7.56
Maxwell Comm.Crp. 5 95	150	†83¼	84	0	0	8.57
Nat. Bk. Hungary 5½ 94	75	—	—	—	—	—
Nationwide Ang.B/S. 4 93	200	†90½	92	0	+0⅜	6.52
Nippon Telg.&Tel. 4¼ 95	200	†91¾	92	-0⅝	-0⅜	5.83
Oesters.Ktbk. 5 03	75	†91½	92	+0¼	+1	5.87
Prov. Newfoundland 5 03	150	†89½	90½	-0½	+0¼	6.05
Thailand 4⅞ 95	200	†92	92	0	0	6.34
World Bank 5 03	150	—	—	—	—	—

Average price change... On day -0⅜ on week +0⅞

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101⅛	101⅜	0	-0⅛	5.34
Canada 5⅜ 93	80	101⅜	101⅝	+0⅛	-0½	5.21
Eurofima 5 1995	20	98⅝	99⅛	0	-0⅛	5.22
E.I.B. 4⅞ 93	30	98¼	98⅝	0	-0⅛	5.32
Ireland 5⅛ 93	30	99⅝	100⅛	+0⅛	-0¼	5.16
Norway 5⅛ 95	30	99⅝	99⅞	0	-0⅛	5.17
Sweden 4⅞ 93	50	97¼	97¾	+0⅛	-0⅛	5.30
World Bank 5¼ 98	10	98⅝	99	0	-0⅛	5.32
World Bank 7 94	20	107⅛	107⅞	+0⅛	-0⅛	5.20

Average price change... On day +0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS 10¼ 93 £	50	94⅝	94⅞	+0½	-0⅛	12.09
Abbey Nat. 11⅝ 95 £	100	98¼	98¾	+0¼	-0½	12.00
Alg. Bk. Ned. 5½ 92 FL	150	94⅜	95	0	-0⅛	7.74
Alg. Bk. Ned. 5¾ 93 FL	200	93⅞	94⅝	0	-1¼	7.53
Austria 7½ 94 ECU	100	95⅜	95⅞	+0¼	+0¼	8.63
Bk.Nova Scot. 14⅜ 90 A$	75	95⅜	96⅛	+0⅛	-0⅛	17.30
Barclays Aus. 13½ 91 A$	100	95⅝	96⅛	-0⅜	-1	15.57
Belgium 8⅛ 94 Ecu	150	97⅝	98⅛	+0⅛	+0¼	8.67
BP Capital 9⅜ 93 £	100	93¼	93¾	0	-0¾	11.92
British Airways 10 98 £	100	91⅛	91⅝	+0¼	-0⅝	11.60
Buhrmann-Tet. 6⅞ 93 FL	100	†96¼	97	+0⅛	0	7.34
Comm. Bk. Aust. 12⅝ 93A$	100	†92	92½	-0¼	0	15.36
Coop.Ctr.Rabo. 6⅞ 93 FL	100	96⅝	97⅛	0	-1⅛	7.24
CrLocalFrance 9¾ 92Ecu	100	101⅛	101⅜	+0⅛	+0½	8.66
Dest. Bk.Aus. 13⅜ 93 A$	125	†94¼	95¼	-0⅜	-1⅝	14.90
Deutsche Bk.Fin. 15 94 A$	100	101⅛	101⅝	-0⅜	-0⅛	14.61
Eastman Kodak 13 90 A$	100	95	95½	-0¼	-0⅜	17.36
E.I.B. 7 96 LFr	100	96¼	97¾	0	+0⅛	7.53
E.I.B. 9 99 Ecu	150	100⅜	100⅞	+0¼	+0⅜	8.90
Elec.France 10⅛ 95 C$	125	†98⅞	99⅛	-0¼	+0¼	10.45
Eurofima 7⅝ 94 Ecu	100	95¾	96¼	+0¼	+0⅜	8.68
Fed.Bus.Dv.Bk. 9⅛ 92 C$	75	†96¼	97¼	-0¼	-0⅛	10.96
Fed.Bus.Dv.Bk. 10½ 93C$	50	98¼	99¼	-0⅛	0	10.80
Ferrv. Stato 7¼ 93 Ecu	100	96⅛	96⅝	+0⅛	+0⅛	8.86
Ford Cr.Can. 10¼ 93 C$	100	†98¾	99¼	-0¼	+0⅛	11.05
Ford Cred.Can. 10⅞ 96C$	125	100⅛	100½	0	+0⅜	10.80
Ford Mtr.Cred. 7⅞ 93Ecu	100	96½	97	+0⅛	+0¼	8.92
G.M.A.C. 9¾ 93 C$	150	†95⅝	96⅛	-0¼	+0¼	11.09
Hydro-Quebec 11 99 C$	400	102⅛	102⅝	-0⅛	+1⅛	10.60
Lloyds Bank 10¼ 98 £	150	92	92½	+0⅛	-0¼	11.69
Lloyds Bank 11⅜ 98 £	100	95⅜	95⅞	+0¼	-0⅜	12.14
Montreal Tst. 10¼ 93 C$	100	†98¼	98¾	-0¼	+0⅜	11.20
Morgan Gtar.Tst. 11 91 C$	130	98⅞	99⅜	-0⅛	-0⅛	11.52
Nat. Aus. Bk. 14⅜ 94A$	100	97⅝	98⅛	-0¼	-0⅜	15.35
New Zealand 9½ 93 £	100	92¼	92⅝	0	-0⅜	12.04
Philips Gleoil. 6 93 FL	300	94⅝	95⅛	-0¼	-0⅜	7.46
Privatbanken 7½ 94 LFr	500	97⅞	98⅜	0	+0⅜	7.91
Royal Bk.Scot. 10⅝ 98 £	125	94⅛	94½	+0½	-0⅜	11.74
Saskatchewan 9⅞ 91 C$	150	†96¼	97¼	-0¼	-0⅜	11.48
Saskatchewan 10¼ 93 C$	200	98	98½	-0⅛	+0¼	10.72
State Bk.NSW. 13⅞ 93A$	100	94⅞	95⅜	-0⅜	-0¼	15.37
Sweden 15 94 A$	100	100⅞	101⅜	-0⅛	-0⅝	14.65
Union Bk. Switz. 7½ 93	150	†96⅞	97⅞	+0¼	+0⅛	8.20
World Bank 13⅜ 92 A$	100	99⅛	99⅝	-0⅝	-0⅜	13.58
Zentrgpk. 13¼ 93 A$	75	†95	95½	-1	-2½	14.74

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.86	99.91	18/07	13.08
Bank of Greece 99 US	0¼	99.55	99.64	8/09	10.62
Belgium 91 US	0	100.19	100.29	19/08	9.38
Chelt. & Gloucester 94 £	.063	99.87	99.92	30/05	13.47
Credit Foncier 98 US	.063	100.18	100.28	20/10	10.16
Dresdner Finance 99 DM	.031	99.86	100.45	27/07	6.59
EEC 3 92 DM	0	100.44	100.54	20/08	5.63
Halifax BS 94 £	.1	99.86	99.91	6/08	12.97
Invt. In Industry 94 £	0¼	100.06	100.16	24/05	13¼
Leeds Perm. B/S. 94 £	0¼	100.03	100.08	13/07	13.34
Midland Bank 01 £	.1	98.40	98.70	11/08	12.97
Milk Mkt. Brd. 5 93 £	0⅛	99.90	99.95	30/06	13.06
New Zealand 5 97 £	.07	100.01	100.11	22/08	13.19
State Bk. New. 98 US	.188	100.42	100.52	11/08	9.87
Woolwich Equit. BS. 93 £	0⅛	100.01	100.06	13/07	13.37
Woolwich 5 95 £	0⅛	99.83	99.88	22/08	13¼

Average price change... On day +0.02 on week +0.02

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62	115⅝	116⅝	-0⅞	9.92
Amer. Brands 7¼ 02 US	9/87	56.7	122⅝	123⅝	-0⅛	1.71
Ashikaga Bank 2⅛ 02 US	4/87	967	125⅝	126⅝	+2	6.07
Asics 5 92 DM	12/83	472.7	264⅛	265⅝	0	7.06
CBS. Inc. 5 02 US	4/87	200	101	102	-0⅛	3.44
Primerica 5½ 02 US	4/87	66.75	67⅛	68⅛	+0⅛	108.98
Eng.China Clay 6½ 03 £	9/88	4.8	104⅜	105⅜	-1⅛	4.10
Fujitsu 3 99 US	5/84	1106	218⅛	219⅛	-0⅛	-0.93
Land Secs. 6¾ 02 £	6/87	6.72	93¼	94¼	-1	11.32
Minolta Camera 2¼ 94DM	2/86	1004	113⅞	115⅛	0	5.85
MCA INC 5½ 02 US	9/87	69.62	93⅛	94⅛	+0⅛	15.62
Mitsubishi Bk. 3¼ 04US	5/89	3266	95	96	+1	6.53
Mitsui trust 2⅞ 01 US	10/86	1903	120⅜	121⅞	+2⅞	5.25
Next Plc 5½ 03 £	11/87	4.3	98⅛	99⅛	0	189.23
Nikko Nipp.Bk. 2⅞ 03 US	4/88	804	112	113	-0⅛	-0.50
Omron Tateisi 2⅞ 02 US	4/87	1310	226⅛	227⅝	+3	1.47
Ranks Hovis 4¾ 03 £	11/88	3.5	124	125	-1	-2.08
Redland 7¼ 02 £	1/87	5.4	111⅛	112⅛	-0⅜	1.65
Saatchi&Saatchi 6¾ 03 £	10/89	4.41	91¼	92¼	+0¼	24.79
Sumitomo Bank 3¼ 04 US	2/89	4296	87⅛	88⅛	+0⅜	19.93
Texas Inst. 2¼ 02 US	9/87	82.87	75⅜	76⅜	-0⅛	44.68
W.R. Grace 6¼ 02 US	9/87	42.12	95	96	-0⅛	19.62

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Foreigners give krone bonds a wide berth

Karen Fossli on the slow demand for Norwegian paper

HAVING been shut out for five years, foreign investors are seemingly in no rush to get back into the small Norwegian bond market, currently capitalised at about NKr225bn ($31bn).

On May 9, the first day of unrestricted trading, turnover soared to NKr2.3bn, the highest level this year. But the increased activity was mostly due to domestic investors scrambling to take positions ahead of any foreign invasion.

Turnover subsequently fell back rapidly. From January 1 to May 8, daily average bond turnover was about NKr798m. Since then volume has been maintained at about NKr763m.

However, activity this year is well up on 1988, hitting about NKr70bn to date, according to figures provided by the Oslo bourse, against NKr33bn for the opening five months of last year.

The Norwegian Registry of Securities shows that foreign bank investors have this year increased their holdings by NKr800m, while non-bank foreign investors have stepped up their holdings of Norwegian bonds by NKr200m.

Fonds Finance, the big local broker, expects foreign interest to increase in the coming months. An official said: "When the market opened to foreigners, there was no rush to get in. But once they become more familiar with our market this could change."

According to traders, most foreign interest has been shown by West German and Swiss investors, followed by some limited Danish interest. So far there has been very little follow through from London or New York.

With the Government successfully reducing inflation and the trade deficit, interest rates in Norway have been falling steadily for some time. Over the past 12 months central bank market rates have fallen by 3.5 percentage points.

However, a number of doubts remain. At 4.3 per cent – at the last count – inflation is half its 1987 level. But Norway's transformed current account prospects depend heavily on the strength of oil prices; and then there is the upcoming September general election.

Mrs Gro Harlem Brundtland, the Prime Minister, has been having something of a rough ride in the opinion polls. According to most political pundits the election race is wide open.

If it ends in a stalemate, Mrs Brundtland's tough economic management could be brought to an end.

Still, real Norwegian interest rates stand at more than 6 per cent. And no new long government bonds have been issued for about three years.

According to Oslo Finans, the broker, the government's share of the market has decreased from 42 per cent in 1985 to 37 per cent last year. Mortgage companies' market share has climbed from 30 per cent to 42 per cent over the period.

Government and government-guaranteed bonds are fixed coupon, semi-annual payments with a single maturity date, or have repayments by means of semi-annual drawings of equal size. Most of the issues are five years or less.

Sales of krone denominated bonds to foreign investors are allowed if they are listed on the stock exchange and handled through the exchange's clearing system. The bonds have a minimum maturity of 12 months, although there are no limits on amounts traded or held. Trading is through licensed Norwegian brokers only.

Mr Kjell Skjevesland, a director of Sundal, Collier and Montegu, Norway's leading broker, said: "I'm reluctant to recommend Norwegian bonds to foreign investors at this point in time. Solid European investors fear the inconsistencies in Norwegian policy-making.

"It is possible that interest rates will be forced upwards in the short-term. We recommend that foreign investors wait until the autumn before entering the market."

Jarden Morgan unit climbs to $11.7m

By Our Financial Staff

JARDEN Morgan Europe, the European offshoot of the New Zealand broking and financial services group, has increased net earnings from US$7.7m to $11.7m for the year ended March 1989, its second year of trading.

Listed in Luxembourg and New Zealand, the company plans to pay a dividend of 16 cents a share, against 10 cents last time. Total assets at end-March stood at $122.8m.

INTERNATIONAL CAPITAL MARKETS

Treasuries register slight falls on revised GNP data

By Janet Bush in New York and Katharine Campbell in London

US TREASURY bonds registered modest losses yesterday, resulting from a negative interpretation of revised first-quarter GNP figures and a vulnerable dollar following co-ordinated central bank intervention.

In late trading, medium-dated maturities were the weakest performers and were quoted as much as ⅜ point lower. Short-dated issues were around ⅛ point below Wednesday's close and the Treasury's benchmark long bond was quoted nearly ½ point lower, yielding 8.67 per cent.

GOVERNMENT BONDS

First-quarter GNP was revised down sharply to 4.3 per cent from 5.5 per cent reported earlier. The two key inflation indicators were left unrevised, with the implicit price deflator up 3.9 per cent and the fixed weight index up 5 per cent.

Bonds had initially reacted positively to the lower than anticipated growth figure – the consensus had been for a 5.4 per cent gain – but then dipped as it became clear that a sharp drop in inventories was behind the revision.

The Commerce Department said inventory investment was revised downwards by $15.8bn. By contrast, the largest upward revision was in net exports, which were raised by $7.8bn.

These revisions suggested the economy entered the second quarter with a much smaller overhang of inventories than had been expected. This, in turn, indicated that industrial production will be higher than anticipated in the second quarter. At the same time, exports showed more strength than previously thought.

A clutch of European central banks – excluding the Bundesbank – and the US Federal Reserve took the opportunity to intervene against the dollar when it showed some vulnerability after the GNP release. In late trading the US currency was quoted near its lows at DM2.9805 and Y141.20.

Results of yesterday's five-year auction were regarded as reasonably good with total subscriptions of $20.8bn.

A NEW form of debt security, nicknamed OLO, was auctioned by Belgium yesterday – part of its programme of domestic financial market reforms. It is a straight 10-year fungible bullet bond, very similar in structure to the French OATs.

Because the auction system enables the Government to bypass the high commissions of the established underwriting syndicate, the Ministry of Finance hopes the new instruments will reduce borrowing costs. It also envisages greater secondary market trading activity as liquidity in the tap issue increases with the monthly auctions.

At yesterday's auction a total of BFr18.78bn of bids were accepted out of some BFr53bn of offers. Bids on the 10-year issue, which bears an 8.25 per cent coupon, were accepted in a relatively narrow range between 99.5 and 98.9.

Dealers reported a high demand from non-residents, who would have been encouraged both by the instrument's tax exempt status and by the fact that it can be settled through the Euroclear system.

A WIDENING in the UK current account for April to £1.66bn, from £1.18bn in March, unsettled bond market prices and shaved about 1 pfennig off sterling. But short covering later in the day brought prices back to close higher than Wednesday.

On Liffe, the June long gilt future closed at 94-14 compared with 94-11 previously.

But the market remained nervous over the possibility of further rate increases after Wednesday's increase, particularly given sterling's poor performance on a trade-weighted basis. The currency ended the day at 93.1 after opening at 93.3.

THE announcement of a flexible Lombard rate in Switzerland, to be introduced today, came too late to affect domestic government bond prices, although paper at the short end of the market is likely to be marked down this morning.

The central bank's move also prompted speculation that the Bundesbank might conceivably reintroduce their special Lombard rate – last in operation during 1982, but at a time when the central bank did not effect money market repurchases.

The Swiss Lombard rate has been at 7 per cent since April 14, but as call money has risen well above that level the rate has lost its efficacy from the point of view of the Swiss national bank's efforts to defend the currency and stem inflation.

The steep inversion of the yield curve was illustrated by quotes on one-month money at 8⅝ per cent yesterday, compared with an average yield on three to five-year government paper of 6.4 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	105-31	+2/32	11.28	10.99	11.15
		9.750	1/98	96-14	+7/32	10.38	10.27	10.37
		9.000	10/08	98-24	+5/32	9.36	9.27	9.37
US TREASURY *		9.125	5/99	102-28	-15/32	8.69	8.85	9.16
		8.875	2/19	102-04	-15/32	8.67	8.82	8.99
JAPAN	No 111	4.600	6/98	94.9257	-0.028	5.43	5.39	5.30
	No 2	5.700	3/07	105.3076	–	5.13	5.10	5.05
GERMANY		6.375	11/98	95.5500	+0.050	7.02	7.08	6.82
FRANCE	BTAN	8.000	1/94	96.3302	-0.052	8.98	8.97	8.97
	OAT	8.125	5/99	95.6500	-0.110	8.79	8.86	8.78
CANADA *		10.250	12/98	102.6250	-0.075	9.82	9.88	10.23
NETHERLANDS		6.7500	10/98	95.2750	–	7.46	7.47	7.10
AUSTRALIA		12.000	7/99	90.2204	-0.299	13.80	13.56	13.36

London closing. *denotes New York closing
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

SEC to lift competition for equity options

By Deborah Hargreaves in Chicago

THE Securities and Exchange Commission caused a furore among US options exchanges yesterday when it decided to open up the equity options market to more competition.

The SEC said it would phase out by 1991 its lottery system for allocating new equity options exclusively to one US exchange. The move comes after nine years of debate on the controversial issue, which would allow exchanges to list equity options already allocated to another exchange.

The SEC says its gradual phasing in of the new scheme is to ensure that adequate systems are in place to handle multiple listings. Mr David Ruder, SEC chairman, said the commission was not acting hastily since it had asked the options exchanges in 1980 to work on resolving these market structure issues.

However, the options exchanges maintain their market is not ready for such competition. The Chicago Board Options Exchange joined with the Philadelphia Stock Exchange and the Pacific Stock Exchange to urge a Congressional hearing to reverse the SEC's decision.

Mr Nicholas Giordano, president of the Philadelphia Exchange, said that to introduce multiple listings before there was an integrated electronic market in place to handle options orders, "risks creating an industry-wide problem in maintaining levels of investor protection."

Investors would suffer from a decline in liquidity and quality, he added.

Against this, the SEC says that the results of two studies on multiple listings show that they would reduce costs to investors. The over-the-counter market in equity options continued a system of multiple listings since 1985.

The new system will be *introduced in two stages*; at the beginning of 1990 exchanges will be able to list up to 10 equity options that are already listed on another exchange, and by January 1991 full multiple listing will be allowed.

Slow response to GECC straight

By Andrew Freeman

A DAY of active new-issue business yesterday could not disguise the lack of direction in the Eurobond markets, with fixed-rate opportunities remaining few and far between.

A straight-maturity dollar deal was launched by Kidder Peabody International for General Electric Credit Corporation. Most syndicate departments had known for some time that the borrower was looking at a deal, and when the $300m seven-year issue came there was a consensus that it was fairly priced.

INTERNATIONAL BONDS

Nevertheless, some houses declined their invitations, hoping to pick up bonds more cheaply in the market.

The bonds were offered with a 9⅝ per cent coupon and were priced at 101.70 to yield 50 basis points over US Treasuries. There was sharp activity after the deal was launched and the issue traded inside fees, before dropping outside fees at less 1.95 bid, amid speculation that the lead manager's bid had been suddenly hit.

New-issue traders reported widespread sales to institutions. In later trading, the price moved in line with the US bond market as the lead manager supported the deal to maintain the launch spread. The proceeds were unswapped.

Syndicate managers are forecasting that other well-known US corporate borrowers are considering tapping the dollar sector for fixed-rate funds. Swap rates continued to defy opportunities for raising floating-rate funds.

Merrill Lynch led a $200m perpetual variable-rate note issue for the State Bank of Victoria. The yield is fixed every three months by the lead manager, offering an initial ⅛ point over three-month Libor.

The deal carries a call at par after five years, as well as so-called put caps which allow investors to put the bonds back to the lead manager if the margin fails to exceed certain levels. A Merrill official reported good demand for the paper, and quoted the bonds at 100 bid, on the issue price. Underwriting commissions on the deal were not disclosed, while the official would make no comment on whether the proceeds had been swapped.

Goldman Sachs International launched a complicated three-tranche mortgage-backed £200m deal for CMS No.1 which was well received. Traders commented that the longer-dated tranches were best value, but said there was good institutional interest. The lead manager quoted all three tranches within underwriting fees.

An Ecu100m five-year deal was brought by Banque Paribas Capital Markets for Federal Business Development Bank with a 9 per cent coupon. The bonds were quoted by BPCM on fees at less 1⅞ bid. Traders said the deal was fair value against the secondary market. The proceeds were swapped into fixed-rate Canadian dollars.

In Switzerland, two new issues were the feature of a dull bond market. Prices were largely unchanged and the Swiss national bank's announcement of a flexible Lombard rate came too late to affect trading.

Nomura was the lead manager of a SFr150m convertible deal for Hokuriku Electric. The five-year deal was well received and was quoted by the lead manager inside fees at less ½ bid.

Late in the day, Citicorp brought a SFr90m issue for Showa Highpolymer. The lead manager said it was too early to make a price, but elsewhere the bonds were quoted at less 2½ bid. Citicorp is expected to announce today a SFr500m convertible for Tobishima.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Mitsubishi Heavy Ind.♦‡	[illegible]	(4⅜)	100	1993	2¼/1½	Nikko Secs. (Europe)
Mitsuboshi Ltd.♦	400	(4¼)	100	1993	2¼/1½	Nomura Int.
Alps Electric Co.♦	200	(4⅜)	100	1993	2¼/1½	Daiwa Europe
State Bk of Victoria(d)‡♦	200	⅛	100	Undated	n/a	Merrill Lynch
GECC(f)♦	300	9⅝	101.70	1996	1⅞/1¼	Kidder Peabody Int.
Rhone-Poulenc Comm.Fin.(g)♦	50	16	101½	1990	1/⅛	Societe Generale
Final terms fixed on:						
Nippondenso Co.(c)♦‡	1bn	4	100	1993	2¼/1½	Nomura Int.
STERLING						
Coll. Mort.Secs. No.1(e)♥♦	200	10/20bp	100	1992/96	12½/22bp	Goldman Sachs Int.
ECUs						
Fed. Business Dev.Bank(l)♦	100	9	101.80	1994	1⅞/1¼	Banque Paribas Cap.Mkts
SWISS FRANCS						
Hokuriku Elec. Ind.(a)‡☆§	150	(½)	100	1994	n/a	Nomura Bank (Switz)
Showa Highpolymer Co.☆‡‡	90	(1½)	100	1994	1⅝	Citicorp Inv.Bank(Switz)
Sonton Food Ind.(b)☆‡§♦	40	½	100	1994	n/a	Nomura Bank (Switz)

☆Private placement. ‡With equity warrants. §Convertible. ‡Variable rate notes. ♦Final terms. ♥Floating rate notes. a) Indicated put option 31/3/92 at 105⅞ to yield 2.327%. b) Put option fixed 31/3/92 at 104⅞ to yield 2.157%. c) Coupon indicated at 4⅞%. d) ⅛ over 3-month Libor. Call after 5 years at par. Investor put back to Merrill Lynch. e) Average life between 1½ and 7.4 years. Step-up coupon if not called to between 40 and 60bp. f) Non-callable. g) Borrower option to redeem in either DM or $ at strike price of DM1.90 per $. If DM above 1.90 formula applies, if below, redemption at 116%.

Pargesa forecasts return to rapid growth

By William Dullforce in Geneva

PARGESA, the Swiss-based financial and industrial company run by Mr Gerard Eskenazi and Mr Albert Frère, expects to resume in 1989 the fast growth rate which was checked last year when it had to absorb a loss on its participation in Drexel Burnham Lambert, the New York investment bank.

Between 1984 and 1988, Pargesa's net consolidated earnings climbed by an average of 21.3 per cent a year. Profit growth per share averaged 14.6 per cent.

Last year's consolidated profit of SFr160m ($90m) was only 0.4 per cent higher than the 1987 result but included a SFr33m loss on DBL. Pargesa Holding, the parent company which experienced a 13 per cent rise in cash earnings, posted a 14 per cent increase in net earnings. The board proposes to raise the dividend from SFr62 to SFr65 a share.

Mr Eskenazi said yesterday that the holding company was seeking about SFr300m in fresh capital through a one-for-10 *rights issue* and a five-year convertible bond carrying a fixed 7.5 per cent coupon, to be issued in Luxembourg. The share issue would be priced on Monday.

Listings for Pargesa shares were being sought in Brussels and Paris. It had no immediate plans for a North American listing but, when it sought one, its preference would go to Montreal. Power Corporation of Montreal is a large shareholder which, according to Mr Paul Desmarais, its president, wants to raise its stake in Pargesa to 25 per cent.

Mr Eskenazi said the group would continue its policy of *concentrating resources on a* restricted number of important participations. It aimed to expand in Europe's main finance centres and in the US through a combination of holding companies and banks specialising in financial engineering and asset management.

Pargesa currently operates in co-operation with Groupe Bruxelles Lambert's four principal subsidiaries – Lambert Brussels Associates, the US partnership, Parfinance in Paris, Financière de Paribas in Switzerland and Henry Ansbacher, the UK merchant bank.

Within seven years this group's net worth had grown *from zero to about SFr9bn* and that of Pargesa to about SFr2.6bn, Mr Eskenazi said.

Pargesa had a very low leverage; shareholders' funds at the end of 1988 amounted to SFr1.64bn out of total liabilities of SFr2.16bn.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday May 25 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed May 24 Index No.	Tue May 23 Index No.	Mon May 22 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (206)	975.96	+0.7	10.43	3.97	11.82	12.78	969.53	978.40	988.41	758.19
2 Building Materials (29)	1245.44	+0.9	11.41	4.11	10.82	17.91	1233.84	1247.53	1266.61	988.76
3 Contracting, Construction (38)	1693.15	+0.6	13.33	4.15	9.81	29.32	1682.80	1717.56	1738.52	1569.69
4 Electricals (9)	2813.29	-0.1	8.78	4.07	14.05	49.45	2815.67	2846.29	2873.76	2066.24
5 Electronics (30)	2256.10	+1.3	8.50	3.01	15.28	14.70	2226.99	2227.45	2259.97	1597.31
6 Mechanical Engineering (54)	525.59	+0.8	9.82	3.91	12.52	7.62	521.62	527.63	529.96	387.95
8 Metals and Metal Forming (7)	551.23	+0.2	14.14	5.43	8.02	1.84	550.31	553.39	555.60	457.86
9 Motors (17)	322.82	+0.2	11.58	4.71	10.12	6.69	322.12	324.81	325.73	268.89
10 Other Industrial Materials (22)	1604.49	-0.1	9.38	4.23	12.74	25.11	1606.23	1626.04	1638.95	1254.39
21 CONSUMER GROUP (186)	1214.70	+0.4	9.87	3.66	13.79	15.82	1209.93	1220.40	1231.98	1066.18
22 Brewers and Distillers (22)	1314.96	+0.8	10.34	3.67	12.16	16.42	1304.85	1303.96	1319.54	1116.32
25 Food Manufacturing (20)	1065.18	+0.9	9.61	3.88	13.03	14.86	1055.33	1071.81	1082.38	935.45
26 Food Retailing (15)	2219.81	+0.7	8.82	3.34	14.92	17.33	2204.15	2231.48	2241.87	2008.66
27 Health and Household (14)	2247.92	-0.8	6.60	2.64	17.20	14.41	2266.18	2298.70	2311.08	1771.15
29 Leisure (33)	1652.28	+0.9	7.46	3.30	16.83	23.13	1638.26	1649.21	1662.04	1285.60
31 Packaging & Paper (15)	571.69	+0.3	10.11	4.25	12.45	7.10	569.74	573.70	575.13	489.62
32 Publishing & Printing (18)	3547.83	+0.2	9.25	4.55	13.56	44.70	3541.25	3568.69	3599.80	3388.37
34 Stores (34)	806.48	+0.5	11.06	4.42	11.85	11.48	802.69	808.40	822.99	812.76
35 Textiles (15)	543.79	+0.8	11.82	5.29	10.94	6.92	539.67	536.02	540.40	577.76
40 OTHER GROUPS (94)	1104.89	-0.1	10.06	4.15	12.08	10.43	1106.39	1115.99	1116.32	857.10
41 Agencies (18)	1402.49	+0.3	6.70	2.34	18.62	14.91	1397.76	1406.93	1398.87	1117.58
42 Chemicals (22)	1271.14	-0.2	11.13	4.64	10.62	26.31	1274.09	1277.91	1280.06	976.69
43 Conglomerates (12)	1597.89	+0.5	10.44	4.99	11.26	9.84	1590.45	1596.31	1601.84	1146.46
45 Transport (13)	2459.84	+0.4	8.42	3.57	15.42	22.16	2449.36	2455.60	2466.18	1917.41
47 Telephone Networks (2)	1126.73	-1.0	10.40	4.16	12.50	0.80	1139.78	1153.44	1148.17	933.62
48 Miscellaneous (27)	1485.57	——	10.78	3.99	10.52	22.24	1486.07	1516.65	1520.80	1121.69
49 INDUSTRIAL GROUP (486)	1144.32	+0.3	9.74	3.89	12.69	12.92	1140.68	1158.72	1158.87	939.18
51 Oil & Gas (14)	2017.32	+0.2	10.31	5.50	12.89	51.08	2012.30	2016.85	2029.50	1779.84
59 500 SHARE INDEX (500)	1218.75	+0.3	9.81	4.09	12.71	16.01	1214.97	1224.65	1233.20	1010.28
61 FINANCIAL GROUP (123)	738.12	-0.1	–	5.24	–	15.68	738.76	744.94	751.52	682.68
62 Banks (8)	734.49	-0.5	24.31	6.51	5.40	21.71	738.29	744.13	754.37	641.79
65 Insurance (Life) (8)	1051.14	+1.1	–	5.60	–	29.86	1039.94	1056.98	1069.66	970.52
66 Insurance (Composite) (7)	579.38	-0.4	–	5.92	–	16.75	581.56	585.29	589.34	529.58
67 Insurance (Brokers) (7)	990.56	+0.6	7.99	6.32	16.74	27.06	984.80	989.92	1004.81	963.12
68 Merchant Banks (11)	328.04	-0.3	–	4.60	–	3.70	329.13	330.37	330.34	348.22
69 Property (52)	1310.03	——	6.14	2.82	20.72	6.98	1309.31	1318.96	1324.48	1228.56
70 Other Financial (30)	371.37	——	10.04	5.67	12.59	5.93	371.27	374.79	376.62	378.46
71 Investment Trusts (72)	1149.37	——	–	2.83	–	11.90	1149.80	1157.26	1165.05	853.40
81 Mining Finance (2)	613.95	+0.7	10.10	4.15	11.02	10.45	609.51	621.42	631.02	510.53
91 Overseas Traders (8)	1363.56	——	10.84	5.42	11.55	34.12	1363.46	1377.38	1394.90	1007.14
99 ALL-SHARE INDEX (705)	1100.44	+0.2	–	4.23	–	15.85	1097.76	1106.73	1114.96	929.87

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 24	May 23	May 22	May 19	May 18	Year ago
FT-SE 100 SHARE INDEX‡	2136.6	+3.9	2142.0	2126.7	2132.7	2151.6	2169.0	2204.7	2177.3	1785.3

FIXED INTEREST

	PRICE INDICES	Thu May 25	Day's change %	Wed May 24	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	117.81	+0.08	117.72	–	4.41
2	5-15 years	133.09	+0.20	132.83	–	4.62
3	Over 15 years	144.22	+0.25	143.86	–	5.92
4	Irredeemables	166.51	+0.02	166.47	–	6.10
5	All stocks	130.84	+0.16	130.63	–	4.78
	Index-Linked					
6	5 years	134.73	+0.12	134.56	–	1.36
7	Over 5 years	133.68	+0.17	133.46	–	1.28
8	All stocks	133.65	+0.17	133.42	–	1.27
9	Debentures & Loans	114.98	-0.01	114.99	–	4.33
10	Preference	88.18	-0.06	88.24	–	3.00

	AVERAGE GROSS REDEMPTION YIELDS		Thu May 25	Wed May 24	Year ago (approx.)
	British Government				
1	Low	5 years	9.71	9.69	8.67
2	Coupons	15 years	9.32	9.35	9.20
3		25 years	9.15	9.18	9.01
4	Medium	5 years	10.89	10.92	9.13
5	Coupons	15 years	9.75	9.78	9.39
6		25 years	9.30	9.32	9.19
7	High	5 years	11.00	11.02	9.22
8	Coupons	15 years	9.96	9.99	9.55
9		25 years	9.46	9.48	9.28
10	Irredeemables†		9.15	9.15	8.91
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.80	3.83	2.45
12	Inflation rate 5%	Over 5 yrs.	3.69	3.70	3.78
13	Inflation rate 10%	5yrs.	3.03	3.05	1.46
14	Inflation rate 10%	Over 5 yrs.	3.52	3.52	3.61
15	Debs &	5 years	11.86	11.86	10.16
16	Loans	15 years	11.51	11.51	10.63
17		25 years	11.17	11.17	10.67
18	Preference†		10.20	10.20	9.66

‡Opening index 2133.8; 10 am 2128.6; 11 am 2134.1; Noon 2139.0; 1 pm 2133.6; 2 pm 2134.0; 3 pm 2132.2; 4 pm 2134.1; 4.05 pm 2133.6
(a) 11.35am (b) 9.37am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p. NAME CHANGE: New Tokyo Investment Trust (71) has become First Tokyo Index Trust.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	82	8	16
Corporations, Dominion and Foreign Bonds	11	3	29
Industrials	442	297	839
Financial and Properties	132	143	381
Oils	28	24	45
Plantations	1	1	10
Mines	36	39	102
Others	48	81	132
Totals	780	596	1,554

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
$100	F.P.	-	106	100	Abtrust New Dawn Inv. Tst.	102		-	-	-	-
-	F.P.	-	60	50	Do. Warrants	53		-	-	-	-
$100	F.P.	-	126	108	♦Boxmore Intl. 10p	126		u5.2	1.9	5.5	12.2
♦	F.P.	-	6400	6100	CMB Packaging SA FFr15	6400		W-	-	-	15.0
♦	F.P.	-	6100	5550	Do (¼ '89 Div Reg) FFr15	5763		-	-	-	-
$100	F.P.	-	145	113	♦Capita Group	143		u2.5	2.2	2.3	21.5
180	F.P.	-	206	180	Community Hosp. Grp £1	206		R4.5	1.4	2.9	18.8
98	F.P.	-	96	84	♦Diamond Group Hldgs 5p	91		L1.13	4.7	1.7	17.3
50	F.P.	-	65	60	Donelon Tyson 10p	60		-	-	-	-
§21	F.P.	-	23½	22	*Edencorp Leisure 5p	22½		-	-	-	-
♦	F.P.	-	110	78	Ex-Lands 10p	85		0.5	-	0.8	-
♦	F.P.	-	101	61	Do. Warrants	70		-	-	-	-
100	F.P.	19/5	113	109½	Fleming High Inc. Inv.	109½		b5.25	-	6.4	-
-	F.P.	-	36	22	Do. Warrants	33	-1	-	-	-	-
50	F.P.	-	55	52	Gartmore Value Invs. 10p	54½		N3.79	-	9.3	-
50	F.P.	-	51½	50½	Do. Zero Div. Prf. 10p	50½		-	-	-	-
$100	F.P.	-	123	115	♦Green (J.)	118		L2.9	2.9	3.3	14.1
$175	F.P.	-	178	173	♦Ibex Hldgs. 10p	175		L3.6	2.7	2.7	16.0
♦	F.P.	-	211	198	MB Group	205	+1	W-	-	-	10.4
$47	F.P.	-	49	40	*Malaya Group 10p	46		b2.0	3.7	5.8	6.3
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
[illegible]							
60	Nil	5/7	10½pm	8pm	Senior Engineering	8pm	-½
5	Nil	23/6	2pm	1pm	Stats Hldgs. 5p	1pm	
185	Nil	6/6	36pm	20pm	Telfos Hldgs. 20p	30pm	+2
200	Nil	-	44pm	41pm	Vibroplant	42pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. K Dividend and yield based on Prospectus or other offical estimates for 1989. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures ♥ Issued by tender. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Issued in connection with reorganisation merger or takeover. £ Allotment price. ♦ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings May 15
- Last Dealings May 26
- Last Declarations Aug 10
- For settlement Aug 21

For rate indications see end of London Share Service

Calls in Phoenix Timber, Far East Res, Audio Fidelity, Untd News, Egerton Trst, Bougainville, Western Mng, Astra Hldgs, Premier, Kelt, Clogau, Kenmare, Tusker, Amstrad, Sedgware, Arlington, Chamberlain & Hill, Casket.

LONDON TRADED OPTIONS

DEALINGS in the FT-SE 100 Index stood out on the London Traded Options Market yesterday, as the index itself recovered 3.9 points of recent losses to end at 2,136.6. The announcement of the April trade figures – something which had been approached with apprehension by the money market – caused in the end relatively little stir. The short-term sterling deposit market reacted to Wednesday's one per cent increase in base rates without further net movement.

Hanson gained 2p to 201p on the underlying share market, and captured the most attention on the options market, attracting 2,125 contracts. The business in it was remarkable for being concentrated almost entirely in two series – the August 200 puts, which saw dealings of 1,000, and an opening of interest of 775 contracts to 1,838, and the February 200 puts, which found some 1,000 contracts, leading to an opening of interest of 1,000, from scratch, to 1,000.

Dixons, a strong runner in the options market this week, and up 2p to 147p on the underlying market, threw, however, a strong challenge for the leading position to Hanson. Dealings in the option on the stock amounted to 2,069, consisting of 1,495 calls and 574 puts. There was opening of position on both the call and put sides – the number of exerciseable calls rising by 843 contracts to 20,345, and those on the put side by 553 to 6,267.

The put business was contained almost fully in the June 140s, 500 contracts in which saw a rise of 483 to 1,589 in open position. On the call side, the most important opening of interest was in the September 160s, 585 contracts in which brought an expansion of 560 to 2,068. Other busy series in the stock were the June 140 and 160 calls, which also saw opening of interest.

British Steel, British Gas and Trusthouse Forte were among other stocks to attract attention on the options market, with a good deal of discussion going on about the future of THF, which attracted some late attention amid bid talk.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*445)	420	37	54	64	4½	10	13
	460	13	30	40	22	27	30
	500	4	13	21	58	57	58
Brit. Airways (*200)	180	21	24	31	3	5	9
	200	7	14	19	11	13	16
	220	2	6	11	30	31	32
Brit Com (*196)	200	9	16	20	9	11	16
	220	3	8	11	26	26	28
Storehouse (*176)	160	22	26	31	6	8	10
	180	9	16	19	18	19	20
Trafalgar (*384)	360	34	50	54	5	10	14
	390	18	30	34	18	22	30
Utd.Biscuits (*332)	300	41	53	59	3	5	8
	330	18	32	38	11	14	18
	360	5½	17	23	30	31	34
[illegible]							

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Tesco (*177)	160	23	29	36	3	5	5
	180	9	15	22	9	11	12
	200	4	8	12	26	26	27

Option		Calls July	Calls Sep.	Calls Nov.	Puts July	Puts Sep.	Puts Nov.
ASDA Grp. (*169)	160	16	20	23	4	6	8
	180	7	9	12	15	18	21
Gateway (*197)	180	23	24	27	3	4	7
	200	10	12	12	10	13	14
[illegible]							

UK COMPANY NEWS

Thames TV surprises with rise to £31m

By John Ridding

THAMES TELEVISION, the largest ITV contractor, recovered from a flat first half to report higher than expected pre-tax profits of £31m for the year to the end of March, an increase of 11.7 per cent.

The improvement was achieved despite exceptional costs of £4m arising from the reduction of staffing levels and reorganisation costs and sent shares up 13p to 484p.

Turnover rose from £247.4m to £326.7m, reflecting an 11.5 per cent increase in advertising revenues to £236.3m. However, Thames's share of total network advertising revenues slipped for the second year running, from 15.51 per cent to 15.16 per cent.

Mr Richard Dunn, managing director, said he was disappointed with the fall but claimed that there was evidence of a recovery. He said that in the first three months of 1989, traditionally the leanest quarter, Thames's share had recovered to 15.3 per cent, its highest level in this period for six years.

Programme sales to Australia and the US had a good year and helped lift total overseas sales from £17.7m to £19m. The increase partly reflected the success of Jack The Ripper. However, no deal has yet been signed for a major mini-series to succeed it in the current year.

Last year, permanent staff levels were reduced by 240, approximately 10 per cent. The cuts were concentrated in the second half and prompted a saving of £1.5m, although this was more than offset by the exceptional item. Thames estimates that savings from the reduced staff levels and more flexible working practices will exceed £4m in the current year.

These savings will be needed to offset the increase in the exchequer levy charge which will take effect from 1990. On a pro-forma basis, the new system, which is based on turnover as well as profits, would have added an estimated £7m to Thames £15.5m levy charge last year.

However, Mr Derek Hunt, finance director, said that this was not the best guide because Thames would seek to improve margins and would take advantage of the 45 per cent levy relief in the current year to undertake expensive productions.

With respect to the government white paper proposals for the reallocation of franchises after 1992, possibly on an straight auction basis, Mr Dunn said that the "Astra alternative" remained an option.

He added, however that Thames remained committed to retaining the franchise and would only look to satellite broadcasting if it failed to win a channel three or channel five licence and if subscribers and advertisers showed greater interest in Satellite transmission.

Earnings per share, after the exceptional items, increased by 10.6 per cent to 40.7p. There is a final dividend of 10.25p (8.8p) giving a total for the year of 15p (13.2p).

See Lex

CLF-Yeoman I£18m rights issue

CLF YEOMAN, the Dublin-based leasing company, increased pre-tax profits by 51 per cent to I£14.4m (£12.2m) in the year to February 28. It also launched a one-for-four rights issue at 175 Irish pence to raise a net I£18m.

This compares with the 423p at which the shares were suspended late last month.

The group announced then that it was making a £12m provision for a loss-making Technology for Business subsidiary which was acquired in January when Yeoman bought CLF Holdings. Yesterday it was confident that the final write-off associated with TFB would not exceed this provision.

Earnings per share rose from 23.7p to 37.8p before goodwill amortisation and 36p afterwards. The final dividend is 2.75 Irish pence.

Whitbread expands in Australia and Europe

By Lisa Wood

WHITBREAD, the UK group which is concentrating on developing its food retailing activities, is expanding its food interests in Australia and on the Continent.

In Australia it is paying A$43m (£21m) for a chain of Denny's restaurants owned by Ansett Transport Industries, the Australian domestic airline.

The purchase involves 13 restaurants and four development sites on Australia's eastern seaboard. During the next two years they will be converted into the steak and seafood concept of the Keg restaurant chain Whitbread bought in Canada in 1987.

Ansett said the deal was subject to approval from the Australian Government's Foreign Investment Review Board and was part of its strategy of concentrating on airline services and development of airport terminals, hotels and resorts.

Ansett is owned 50/50 by transport group TNT International and Rupert Murdoch's media group, News Corporation.

Whitbread, in a joint venture with Belgian company GIB, has also signed a franchise, by PepsiCo of the US, to open up to 400 Pizza Hut outlets in France, Holland and Belgium. The operations will cost around £100m to develop during the next 15 years. Whitbread operates Pizza Hut in a joint venture with PepsiCo in the UK.

Whitbread is one of the most aggressive of Britain's brewers in expanding its retailing activities overseas. Last week, in announcing its financial results for the year to February 25 1989 it said profits from retailing, including the group's Beefeater Steak Houses and Keg restaurants, overtook brewing for the first time ever in the second half of the year.

Vickers

Sir Ron Brierley's IEL Securities has reduced its stake in Vickers from 9.06 per cent to 8.67 per cent.

Fighting a by-election of a bid

David Waller on the political aura of Anglo's assault on Coalite

THERE IS a strong party political dimension to the latest leveraged bid to hit the London market, the £427m offer for the Coalite conglomerate from Anglo United, a company capitalised at under £60m.

The companies are to be found within a few miles of each other in the Labour heartland of north Derbyshire. Coalite's connection with Labour is obvious: its chairman, Mr Eric Varley, was a former industry secretary and Mr Tony Benn's predecessor as MP for Chesterfield.

By contrast, Mr David McErlain, chief executive and 37 per cent owner of Anglo, is a fund raiser for the local Tory party.

Mr McErlain likes to see the bid as a contest between the plucky, entrepreneurial Thatcherite Britain – as represented by Anglo, of course – and the sleepy inefficiencies of socialism, as embodied in what he describes as the sprawling mass of Coalite. "Indeed, this bid has many of the qualities of a local by-election," he argues.

Down south, in the City of London, parallels were drawn yesterday with Mecca Leisure's assault on Pleasurama last year, also put together by Samuel Montagu, advisers to Anglo. In that case as well, a smaller company launched a leveraged bid for a larger one, dismissing the accusations of audacity with the claim that its management was far better qualified to run the company.

The bid is based on the premise that Mr Varley and his colleagues are neglecting the potential of Coalite's core businesses in fuel manufacturing and distribution, which account for broadly half pre-tax profits (estimated to be £45.5m in the year to the end of March 1989) and three-quarters of the group's cash flow.

Instead, according to Mr McErlain, the former Labour minister has been misdirecting his energies by moving into a host of non-core businesses like waste management, vehicle distribution and quarrying. This has been reflected in a profits decline in the core businesses from £24.9m in 1986 to £22.9m in 1988, he argues, and a compound increase in total earnings for the group of only 2 per cent per annum over the last three years after taking inflation into account.

He believes that it would be much better to put Coalite's core businesses together with Anglo's fuel distribution businesses to create a strong force in the sector. Coalite's host of other businesses – which range from builders' merchanting and sheep-farming in the Falklands to the manufacture of Dormobiles, clay pigeons and pozzolanic cement – would be sold off to relieve the debt burden arising on the acquisition.

The combined grouping would have approximately 19 to 20 per cent of a market dominated by British Fuels, a company 50 per cent owned by British Coal. According to the bidder, it would enjoy synergy benefits in purchasing, storing, marketing and distribution. It would handle about 4m tonnes of coal per annum, making it one of the largest private purchasers of coal in the UK.

Mr McErlain's is happy to flaunt his management qualifications for the job. In true Thatcherite fashion, he started off with a loan – of £31,000 in this case – which helped him start up his own business in 1974. This was an opencast mine in Chesterfield, sold to Burnett & Hallamshire in 1981 for £12m.

The following year, he started up two new opencast mining businesses in the UK and the US which later became the core of Anglo. In March last year, he presided over the complex restructuring at Burnett – subsequently renamed NSM – which entailed Burnett swapping its fuel distribution businesses for Anglo's UK coal business.

There was also plenty of rationalisation of those companies which "had been acquired as part of an unsuccessful diversification programme lacking in industrial logic". As a result, NSM has returned to profitability from a loss before tax of approximately £28m in the year to April 5 1988.

On the face of it, Mr Varley's business achievements cannot compare. True, he presided over Coalite's successful bid for Hargreaves in 1986, and turnover since 1984 has risen from £442m to £615.6m in 1988. But earnings per share have shown only slender growth in recent years, rising from 31.02p in 1986-1987 to 31.16p in the 1987-88 year and an estimated 32.9p last year.

Some analysts give Mr Varley credit for building up a portfolio of businesses counter-cyclical to the fuel manufacturing and distribution businesses, to the extent that the group's profits for the year to March should be no worse than flat against the previous year, despite the very mild winter. He has also taken steps to cut fuel manufacturing capacity in the face of a shrinking market by closing one of the three carbonisation plants used to convert coal into the Coalite brand of smokeless fuel.

Moreover, it is not impossible that the company's share of the fuel distribution market has actually increased over recent years. However, this and other important data about the company's performance have been largely hidden from the City of London's eye. Mr Varley has been reticent in his dealings with the investment community, and information given at results announcements has been notoriously sparse.

And if some of Coalite's multitude of peripheral businesses are genuinely counter-cyclical, there remains no convincing explanation as to why – in an age when focus is considered all important – the company should be engaged in so many different activities.

This will have to change if the company is to fight a successful defence. The bid differs from the Mecca/Pleasurama fight by virtue of the fact that cash rather than Anglo paper is on the table. Whether the offer – pitched at 12.9 times last year's earnings – is generous enough remains to be seen. With Coalite's shares 20p above the 425p offer price yesterday, the market clearly thinks not. Estimates of the company's break-up value range from 450p-500p a share.

Anglo United said yesterday that it had increased its stake in Coalite from 2.2 to 5 per cent. The 2.75m shares were bought from Morgan Grenfell Asset Management on Wednesday at the offer price of 425p a share. Morgan Grenfell, the merchant bank advising Coalite, said that the sale was a classic example of Chinese walls in action.

Readicut up 27% despite difficult market

By Vanessa Houlder

READICUT INTERNATIONAL, specialist textiles group, weathered competitive conditions in many of its markets, increasing pre-tax profits by 27 per cent from £14.72m to £18.71m in the year to March 31. Turnover increased from £182.98m to £214.41m.

In its yarns business, demand was high but the strength of sterling meant that margins were tight and competition intense.

Within the carpets division, Firth Carpets struggled with fiercely competitive conditions but ended with profits marginally ahead. The Readicut Wool Company, distributor of rug kits, knitting yarn and handicraft products, improved profits in spite of encountering the difficult trading conditions afflicting UK mail order houses.

Earnings per share increased by 6 per cent to 7.25p, reflecting the increase in share capital resulting from the acquisition of the Visscher Group. A dividend of 2.59p per share was recommended, making a total for the year of 3.16p – an increase of 16 per cent.

Anglo Utd would keep Falkland Islands Co

MR DAVID McERLAIN, chairman of Anglo United, has some fairly ruthless divestment plans should his bold £427m bid for Coalite be successful. But he has a sentimental attachment to one quite definitely non-core business – the Falkland Islands Company, writes David Waller.

This, he would like to keep. It is the company which owns one quarter of the farmland on the islands (down from a half at the time of the 1982 conflict), controls the wool output, employs a substantial proportion of the workforce and dominates retail distribution and the wool trade.

In order to avoid any political problems, Anglo has declared an intention to appoint a panel of three dignitaries from among the ranks of the great and the good. They will be independent of Anglo and will advise the bidders on "all aspects of the Islands and the Company."

"I fancy holding on to this," confesses Mr McErlain, although the business has nothing to do with fuel distribution and contributed only an approximate £1m to Coalite's profits last year. "I'd like to own a little bit of history."

The FIC was incorporated under Royal Charter in 1851. For 121 years it was quoted on the London Stock Exchange but in 1971 it was bought for £3m by Dundee, Perth & London, an investment company with close links to Slater Walker.

A year later it was sold on to Charringtons Industrial Holdings – which was itself bought by Coalite in 1977 two years after an Argentine-backed bid to take the company over had been blocked by the Falkland Islands Government.

After the 1982 conflict, Coalite embarked on a divestment plan which substantially reduced its property holdings among the 750 islands which make up the Falklands. It has also made moves to exploit the excellent fishing reserves in the waters surrounding the islands.

Mr McErlain said he was certain that the FIC's employees would be consulted about the future of the company.

Regional brewer bullish on prospects if MMC recommendations implemented

W'hampton & Dudley rises 17% to £13m

By Lisa Wood

WOLVERHAMPTON & Dudley, one of the few regional brewers to give qualified support to the Monopoly and Mergers Commission's recommendations on the industry, yesterday announced a pre-tax profit of £13.1m for the half year to April 2, a 16.8 per cent increase on the same period last year.

Earnings per share, at 13.1 per cent, were up by 17 percent on last year's 2.15p with W & D declaring an interim dividend of 3.20p compared with 2.15p last year.

Mr David Thompson, managing director, was bullish for the group's prospects should the Commission's recommendations be implemented in their present form. Brewers are currently in talks with the Government in an attempt to temper the proposals.

Mr Thompson was one of the few regional brewers who did not either subscribe to the Open Letter to Lord Young, the Trade and Industry Secretary from regional brewers protesting about the proposals or contribute to the £5m war chest for the campaign against them.

He said there were a downside and an upside to each of the recommendations for his brewery. But, he concluded: "The Commission's report offers our shareholders really substantial benefits."

On the introduction of guest beers, for example Mr Thompson said their introduction could open up to his brands 1,200 pubs owned by competing brewers within a 25 mile radiums of his brewery. The downside, he said was Carling Black Label and Tennents lager, brands owned by Bass, could be sold in his 450 tenanted pubs.

In the half year to April 2 W & D's turnover was up by 18 per cent, to £76.8m compared to £65.3m, well ahead of expectations.

Volume growth came from Bank's beers, premium priced lagers and retailing with catering income increasing by 75 per cent. Longer opening hours for pubs contributed to a reduction of 10 per cent in beers sold to clubs with this volume transferring to pubs.

Interest charges were £1.12m compared with £183,000 last year, reflecting the cost of acquisitions including 61 Grand Metropolitan pubs. Before interest charges trading margins advanced from 17.2 per cent to 18.1 per cent.

● COMMENT

W & D, a paragon of good management among the regionals with ale brands the local clientele seem happy to drink, barrelled ahead with its strong interim results. Turnover showed strong growth with most of the 61 pubs purchased in March 1988 from Grand Met performing well. W & D notes no downturn in retail spending in the West Midlands. Earnings growth may be flattened in the post MMC future however if W & D is forced into a price war with the likes of Bass. Analysts are looking for £30.4m for the full year giving a prospective p/e of 13.6 times.

Nash shares leap as new investors move in

By Nikki Tait

SHARES IN Nash Industries, the packaging, engineering and property group, jumped 50p to 203p yesterday as Mr John Nash – the accountant who created the eponymous company – placed out the bulk of his 30.5 per cent stake.

At the same time, Nash Industries announced that Mr Andrew Holland – previously a director of Randsworth Trust, a high-flying property company in the heady bull market days – had acquired 760,932 shares in Nash or 9.3 per cent, and is joining the board as non-executive chairman.

Nash is also acquiring a portfolio of industrial properties from Minevent, a private company wholly-owned by Mr Holland which it says have a net value of around £2m.

The deal will be satisfied by the issue of around 1m shares at 200p a piece, increasing Mr Holland's stake to around 19 per cent.

Mr Holland, according to Nash Industries, has held a stake below the five per cent level for some time, but raised this in recent days.

This is roughly equivalent to the stake held by Mr David Newton, the former stockbroker, who moved in as chief executive two years ago. Mr Newton remains in that position, while former chairman, Mr Graham Dowson, becomes a non-executive director.

Yesterday, Nash said that 2.34m shares had been placed with around seven institutions at 185p each, leaving Mr Nash with a 3.5 per cent holding.

It added that the intention was to retain the group's existing non-property interests, alongside the combined property businesses.

The company's name is now being changed to Grovewood Securities – after the industrial holding company which featured in the sixties and seventies and once owned Brands Hatch.

Grovewood eventually became part of BAT Industries' subsidiary, Eagle Star, with a large part of the business being sold to Wolseley-Hughes in 1986. Nash Industries says it bought the name from Eagle Star, but declines to discuss the cost.

New Kalamazoo chief leaves

By Richard Tomkins, Midlands Correspondent

KALAMAZOO, the troubled business stationery and office systems supplier, yesterday announced that it had parted company with its newly-appointed group managing director because of fundamental differences of opinion over strategy.

Mr Rufus Bond Gunning, who was appointed last September and took up his post in February, has resigned by mutual agreement. His place will be filled by his predecessor, Mr Bill Nickoll, who is also deputy chairman.

Earlier this month, Birmingham-based Kalamazoo ended a period of recovery by plunging into heavy pre-tax losses of £2.29m for the six months to January, though the company said it had moved back into profit in the second half.

Mr Tom Garnier, chairman, said yesterday that the difference of opinion with Mr Bond Gunning had arisen over the options for marketing and distribution in a major business area.

"At the time we recruited Rufus, our businesss situation was one thing, but at the time he took over, it was worse," said Mr Garnier. "That meant we had to reconsider our strategy, and it was in the course of doing this that our differences of opinion emerged."

Mr Bond Gunning will receive pay and benefits in place of 12 months' notice amounting to about £82,500.

Ross Elect warns of losses

By Clay Harris

ROSS CONSUMER Electronics, the USM-quoted audio equipment and radio distributor, warned yesterday that it would report a loss and pay no final dividend for the year which ended on March 31. Ross shares fell 18p to 75p.

Mr Ross Marks, chairman, blamed the fall into loss on the deteriorating retail climate in the January-March quarter. However, he said yesterday, "The problem is now over."

The company said it was reviewing its treatment of slow moving stock and adjusting its accounting treatment of development costs. It has also closed its US marketing arm, which will lead to yet-unspecified extraordinary costs in the 1988-89 accounts.

At the halfway stage, Ross reported profits of £201,000 on turnover of £2.22m and paid an unchanged dividend of 1.2p. It also stated its intention to at least match the 2.3p final paid last year. Mr Marks said it was not clear whether Ross would have sufficient reserves to pay a dividend after the trading loss and extraordinary provisions.

Mr Alfred Davis, former senior partner of Ross's auditors, Stoy Hayward, is appointed a non-executive director.

Marginal profit fall for Dobson Park

By John Thornhill

DOBSON PARK Industries, the mining equipment and engineering group, revealed a marginal fall in pre-tax profits from £9.11m to £9.06m in the half-year to April 1.

Yet a slight reduction in the estimated tax charge to £2.9m (£3.1m) resulted in an increase in earnings per share to 5.89p (5.76p). The interim dividend is unchanged at 1.9p.

The operating profit in the industrial electronics division – boosted by a four-month £400,000 contribution from Transducers – was 88 per cent ahead to £3.16m. The group is searching for acquisitions to strengthen the division.

Restructuring in mining equipment will not be completed until the end of 1989. But the division was able to record an operating profit of £4.09m (£4.07m) despite lower turnover. The mining equipment division of MS International contributed about £1m.

Toys and plastics yielded £861,000 (£545,000), but trading profits from Kango power tools, disrupted by relocation, slipped to £1.14m (£1.27m).

Overall results were dragged down by the fall in profits from property and investment activities to £138,000 (£1.07m). The group expects to make property disposals in the second half and is confident about trading for the year as a whole.

Sales were £114.8m (£111.5m).

● COMMENT

At first sight, these results do not provide much excitement; after all static profits do not leap up and grab the investor's eye. But beneath the grey numbers lies an interesting tale of a company trying to wriggle free of the constraints imposed upon it by its declining business in the mining equipment industry. When Dowty sold its interests in this field in desperation at the state of the industry, many believed that Dobson Park was confined to a gloomy future in a dwindling market. Yet yesterday's figures showed there is a lot of fight left in the company. Its aggressive defence of its position in mining equipment has produced a good result, but it would be mistaken to believe that this will continue indefinitely. The company has said it would ideally like to reduce its interests in this field to about a quarter of its total business, and is pinning its hopes on the fast-expanding industrial electronics division to accelerate it out of potential trouble. Whether it will succeed in doing so remains to be seen, but it will be worth watching closely. Pre-tax profit forecasts of £18.5m for the year would put Dobson Park on a multiple of just under 8.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Airflow S'lines ....fin	4	-	4	6	5
Archer (AJ) ....int	3	-	-	-	4.25
Beecham ....fin	9.7	Aug 21	8.7	16	14.3
Brit & Am Film ....fin	5.05	-	4.5	7.425	6.625
Castings ....fin	4.35	-	3.6	6.1	5
Dobson Park ....int	1.9	-	1.9	-	5.5
Estates & Agency.....fin	3	-	3	5	3
Readicut ....fin	2.59†	-	2.35	3.16	2.73
Scott Invest Tr ....int	1.15	-	1	-	3.2
Smart (J) & Co ....int	1.75	-	1.6	-	5.8
Southnews § ....fin	3.2	Aug 1	4.2	4.8	4.2
Thames TV ....fin	10.25	July 28	8.8	15	13.2
Thornton (GM) § ......int	2†	June 27	1.75	-	4.25
TR Property Inv ....fin	0.85	-	0.525*	1.2	0.8
Warner Estate ....int	2.5	-	2	-	6.25
Westbury ....fin	5.5	Aug 14	3.75	8.5†	5.5
Wolv & Dudley ....int	3.2	July 7	2.15	-	7
Young Brewery ....fin	5.5	-	4.7	10.2	9.2

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Acatos & Hutcheson, Crown Comms, Ferry Pickering, GPG, Kelsey Inds, Kleen-E-Zee, Zambia Copper.

Finals- Eastern Produce, Hawtal Whiting, High Gosforth Park, Isopad Intl, Jarvis Porter, NEC, Waverley Asset Management.

FUTURE DATES

Interims-

Cranbrook Electronic	June 6
Granada	July 11
Horne (Robert)	June 20
Omnitech	May 31
TSB	June 29

Finals-

Body Shop	June 6
Brown Shipley	June 9
Hicking Pentecost	June 9
Rothschild (J)	June 7
Sheraton Secs Intl	June 5
Siebe	May 31

UK COMPANY NEWS

ANNUAL MEETINGS

Channel tunnel on course to meet deadlines

By Andrew Taylor, Construction Correspondent

CONSTRUCTION of the Channel tunnel is 25 per cent complete costing almost £1bn so far, British and French shareholders of Eurotunnel were told yesterday at the group's annual general meeting in London.

Spending on construction was running at about £2m a day shareholders were told at the meeting which next year will be held in France.

Mr Andre Benard, the group's French co-chairman, said improvements in tunnelling rates had been maintained after slow progress for much of last year. Eurotunnel was confident in the ability of its contractors to bring the project in on time.

About 14 km of tunnels had been dug in 4½ months this year compared with just 7km for the whole of last year. Earth moving work on the rail terminals at either end of the tunnel was ahead of schedule and contracts for the trains and rolling stock were due to be placed very shortly.

Mr Benard said the French terminal on its own would be the size of Heathrow airport while the British terminal represented that country's second largest building contract, after the Canary Wharf office project in London's docklands.

He said relations with the contractors were much improved following signing of a new agreement between Eurotunnel and Transmanche represent the five British and five French construction companies building the tunnel.

As a result of this agreement the completion date for the project was put back a month to June 15, 1993. The contractors stand to earn an extra £106m in bonuses if they hit revised target dates.

Mr Graham Corbett, Eurotunnel's finance director said yesterday that one month's delay would cost the group some £70m. Mr Tony Ridley, joint managing director for the project, said the contractors had regularly surpassed their weekly tunnelling target of 350 metres for the services which will run between the two rail tunnels.

He said the outline design for the terminals were virtually complete. 15 per cent of the roads and bridges needed for the project had been completed in the UK and 5 per cent in France.

Eurotunnel said that £475m of bank borrowings had been drawn by the end of last year. Of this £374m was in French francs, £55m in sterling and the rest in other currencies.

French interest rates had averaged 8.7 per cent compared with 13.4 per cent for sterling borrowings.

Ashley Ashwood

Alastair Morton, co-chairman of Eurotunnel, confident it can complete the project on time

John Craven (left) and Geoffrey Maddrell, chairman and chief executive respectively of the Tootal Group, at yesterday's nostalgic shareholders meeting in London, the textile group's last AGM before it merges with Coats Viyella.

Mr Craven, who will not join the board of the enlarged group, welcomed the agreed bid, which was only sealed two weeks ago. He had thought the group's private shareholders, who hold a comparatively small proportion of the equity, might question the £395m price tag, which had been criticised by some observers. But about 200 shareholders – including one who recalled selling the textile group's ties 40 years ago when they cost 3s 6d each – applauded Mr Maddrell, after he outlined the benefits of the agreement.

The deal will mean the disappearance of Tootal as a quoted company name, although initially subsidiaries will still trade under the banner and products will bear the brand-name. Mr Maddrell, who will become the new group managing director, said the company was entering a new phase of a long and distinguished history. "We have an opportunity to write a new paragraph in the history of Tootal and, indeed, in the history of worldwide textiles," he said.

BSR unworried by China unrest

BSR International shareholders were told at the annual meeting that the company did not believe that the recent political unrest in China would have any impact on its Chinese manufacturing facilities. It believed that a Chinese government of any complexion was likely to want to continue to encourage manufacturing investment in its country.

BSR, Hong Kong-based but London-listed, was experiencing some difficulties in certain segments of the electronic components industry in which it operates, though overall the order books were satisfactory. The problems with the computerised materials control system, which had a marked impact on the 1988 results, were being treated as a priority.

It was agreed that the company's name would be changed to Astec (BSR).

At other annual general meetings:

● Mr Patrick Sheeny, chairman of BAT Industries, told shareholders that the first contribution from Farmers combined with strong growth from both Allied Dunbar and Eagle Star was having a major impact on results from financial services businesses. In an improving US retail market the North American businesses were moving ahead, while in the UK Argos was maintaining its record of strong growth. Wiggins Teape was suffering from weaknesses in the European paper industry.

● Mr Asil Nadir, chairman, told Polly Peck International shareholders that the manufacturing, sourcing and marketing company was continuing to expand satisfactorily. Signs were of further growth in the core sectors in the current financial year, he said.

● Shareholders in Turriff Corporation, the construction, maintenance and plant hire group, were told that the uncertainty in the housing market made it impossible for the board to predict the level of sales in this area. Although it was too early to make forecasts, the company's figures showed that targets set in its other areas could be achieved.

● Mr David Philip, chairman, told Dagenham Motors Group shareholders that the motor trade had experienced tougher trading conditions over the past two months, but said he felt confident about a satisfactory outcome for 1989. He said growth in the group's service and parts business continued ahead of target, and new vehicle markets continued unabated, due mainly to the company car sector. Higher interest rates had put pressure on used vehicle margins. The company's dealerships were experiencing high demand for the new Ford Fiesta.

● Fitch-RS holders were told by Mr Rodney Fitch, chairman, that the company, which provides design services, had made an excellent start to the current year, with European and US business well in line with plan. Work was progressing well on the company's new building in Kings Cross and the move there would be more cost-effective than staying in the West End of London.

● Lord Weir, chairman, told Weir Group shareholders that the engineering group had made a satisfactory start to the year with profits for the first three months ahead of last year. The engineering industry was experiencing cost pressure in raw material prices and wages, with industrial relations nationally more troubled than for the past few years.

● Shareholders in James Neill Holdings, hand tool maker and engineer, were told that UK sales had been quiet with weakening demand in the DIY sector and significant de-stocking in the industrial sector. Overseas sales were better but at lower margins. The company had disposed of virtually all surplus properties and certain businesses extraneous to its strategy. Acquisitions had been made in France and Germany, and the company was wanting to move into the US.

● Wm Morrison Supermarkets shareholders were told by Mr KD Morrison, chairman, that sales during the current year were running 29 per cent ahead of last year and while the rate of food price inflation had grown, the company was still enjoying good volume increases for all stores.

● Mr JD Abell, chairman of Suter, said the company had made an excellent start to 1989. The only area of concern was within the refrigeration industry where demand had slowed. He said Suter was unlikely to meet its normal objective of 25 per cent earnings growth but intends to maintain its policy of increasing dividends by a minimum of 20 per cent.

Next conceals settlement for Davies

By Peter Pearse

THE QUESTION of settlement for Mr George and Mrs Liz Davies, the husband-and-wife team ousted last December from their positions of chairman and product director at Next, was raised at the retail group's annual meeting yesterday.

Mr Murray Gordon, executive chairman of Combined English Stores until its takeover by Next and now chairman of Era Group, asked the board the amount, to be told that a settlement had indeed been made but would not be disclosed as it was subject to a confidentiality agreement.

Furthermore shareholders were told that no provision would be made in the 1989, 1990 or 1991 group accounts in respect of any settlement.

Mr Robin Aishouse, an analyst at Kitcat & Aitken, suggested that Next had settled with Mr Davies within his contract of employment, and that that kind of non-disclosure was the "thin end of the wedge for shareholders' democracy".

Mr Gordon and Mr Pat Hammond-Turner, one-time assistant managing director of CES, both voted against the re-election of the directors.

Mr David Jones, Next chief executive, said that since the beginning of the current year, Next Retail sales had increased generally in line with the 17 per cent increase in sq ft, with the exception of the London area where they were well down.

He did not expect Next Retail to show a like-for-like increase in the half.

Grattan Home Shopping businesses were recovering from the 1988 postal strike and were anticipated to be about 10 per cent up on last time.

Sales from the third issue of the Next directory are currently more than 50 per cent up on last year, said Mr Jones.

Westbury more than double to top £36m

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of Westbury, the Cheltenham based housebuilder, more than doubled to £36.26m, from £15.39m, in the 12 months to the end of February.

Turnover rose by 25 per cent to £153.96m. The company builds all its houses in central and southern England, with the exception of the south east.

Earnings per share, despite more difficult trading conditions during the second half, increased by 85 per cent from 27.5p to 50.6p. A final dividend of 5.5p makes 8.5p for the year on capital after the rights issue, a 55 per cent lift over last year's 5.5p.

Mr Richard Fraser, chief executive, said the market remained difficult because of increases in mortgage interest rates. The group, however, expected to see a modest rise in earnings per share in the first half of this year.

He said Westbury was still achieving reasonable sales in the West Midlands, East Anglia and south Wales. Operating margins, pre-interest, had risen to more than 26 per cent during the second half and were among the highest among housebuilders.

This would allow the group greater flexibility to provide sales incentives to ride out the present downturn in the housing market.

Sales in the 12 weeks since the end of February were about 20 per cent lower than during the corresponding period last year.

Mr Fraser said: "The number of people coming into the showrooms and reserving properties is just as high as last year. Plenty of people still want to buy. The problem is that they are having difficulty selling their existing homes. The cancellation rate is much higher than normal.

"However we have all the pieces in place for another successful year – a high quality land bank and a strong capital base."

The company had 6,800 plots with planning consent and a further 6,600 under option, equivalent to almost six years supply based on sales of 2,299 homes last year.

● COMMENT

Westbury's share price rose 8p to 248p on the back of yesterday's good results with profits slightly better than expected and a big increase in dividends. Land sales which chipped in about £3m last year should increase this year while sales volume will be under-pinned by the move into more joint ventures with building societies and housing associations. About 50 per cent of Westbury's homes are terraced aimed at first time buyers and the lower end of the market which is slightly less affected by housing chains. On this basis analysts are forecasting profits of about £41m this year. A p/e of under 5 looks very cheap but reflects current concerns about housing and Westbury's lack of other interests as a cushion.

Hartwell £33m rights to fund acquisitions

By John Thornhill

HARTWELL, the Oxford-based motor group, yesterday announced a significant expansion of its motor distribution activities through the acquisition of two vehicle distributors for a net £80.2m in cash.

This move will extend Hartwell's geographical spread of business and add four new franchises, establishing it as one of the largest vehicle distributors in the UK.

The deal will be financed by way of a four-for-nine rights issue of convertible preference shares at £1 apiece, which will raise a net £33.5m. These shares will represent 24.9 per cent of Hartwell's enlarged share capital on full conversion, which will take place between 1992 and 1999.

The two distributors are Charles Clark Group, which operates from 18 locations in the west Midlands and the North west, and Ford & Slater Group, which has six outlets in the east Midlands and East Anglia.

Both distributors are currently owned by Mercantile Group, the subsidiary of Barclays Bank, which is selling the two distributors in order to concentrate on its financing activities.

Mercantile Group currently has a 6.9 per cent shareholding in Hartwell and has also agreed to take up its full of shares entitlement under the rights issue. Barclays de Zoete Wedd has agreed to underwrite the rest.

The Charles Clark Group has car franchises for Austin Rover, BMW, Ford, Jaguar, Mercedes-Benz, Nissan, VAG, and Vauxhall and has commercial vehicle dealerships for Freight Rover and AWD trucks.

In 1988, Charles Clark made pre-tax profits of £4.5m on turnover of £187.2m.

Net assets at the year end were £8.1m.

The Ford & Slater Group has four Leyland-DAF, two Mercedes-Benz, and two Freight Rover, commercial vehicle dealerships.

The group also has after-sales service, contract hire, fleet management and rental activities.

The group made pre-tax profits of £700,000 on turnover of £57.3m in 1988 and had net assets of £5.7m at the year end.

The acquisition of the dealerships will mean that franchise arrangements on some of the sites will have to be renegotiated with the manufacturers.

Mr Peter Barrett, Hartwell finance director, said one of the reasons the company had opted for issuing preference shares was the difficulty of pricing new ordinary shares given the element of bid premium that those in issue presently contained, resulting from the Jemeel family's 18 per cent holding.

If an offer is made for the company before 1994, then the holders of the preference shares will be entitled to convert them to ordinary shares at a rate which will compensate them for their loss of future income.

The announcement of the acquisition comes the day after Hartwell unveiled their annual results. These showed that Hartwell had increased pre-tax profits by 7 per cent to £10.41m on turnover of £403.52m.

Enterprise Oil proceeds with second instalment of rights

By Andrew Hill

ENTERPRISE OIL, Britain's largest independent oil company, has asked its shareholders to take up the whole of the second instalment of a rights issue aimed at funding its $1.4bn (£886m) acquisition of Texas Eastern, the US gas transmission company.

The second call of 225p per unit of convertible loan stock will raise £292m to buy Texas Eastern North Sea, the US company's UK oil exploration and production arm.

It also indicates Enterprise's confidence about the outcome of a legal dispute over the acquisition, which will reach the High Court on June 6.

Enterprise has already bought Texas Eastern's non-UK interests in Norway, Indonesia, Alaska, the Netherlands and Denmark, with the proceeds of the identical first instalment.

But British Gas and Amerada Hess, the US oil group, are trying to pre-empt the purchase of Texas Eastern North Sea and buy at least part of the subsidiary themselves.

Mr John Walmsley, Enterprise's finance director, said yesterday that ongoing projects at Enterprise and a strong production profile would absorb excess cash from the rights issue, if the High Court ruled against the UK oil company.

He admitted that if Enterprise was prevented from buying any part of Texas Eastern North Sea the group would be richly-funded, but added that it would not be rushed into making acquisitions.

Enterprise considered asking for only half of the second instalment. But the group's legal counsel was confident that the High Court would rule in its favour, in which case the money would have to be found within three days.

Should Enterprise be given the go-ahead for the second part of the acquisition, Mr Walmsley said the company would probably make various disposals of assets, aimed at balancing its portfolio of operations.

Enterprise shares fell 14p to 546p on the news.

Irish Sugar shapes up for privatisation

By Clay Harris

IRISH SUGAR, the state-owned sugar and food processing group which faces possible privatisation, reported pre-tax profits of I£8.61m (£7.3m) in the six months to March 31, a 39 per cent advance over the figure in the comparable half-year.

The company, which accounts for 97 per cent of the sugar market in the Irish Republic and about two thirds of that in Northern Ireland, saw turnover fall by 4 per cent to £100m in the period. Earnings per share rose to 12.14p (8.49p).

Irish Sugar said full-year results would include extraordinary write-offs of about I£10m relating to the closure of its beet processing factory at Thurles in county Tipperary. It now has only two beet factories.

Mr Christopher Comerford, managing director, said yesterday that a report commissioned from Price Waterhouse on the future of the company was due to be delivered shortly to the Irish government. The company itself has indicated support for a move to the private sector.

If it was to be sold, a leading contender for Irish Sugar would be Food Industries, the listed company controlled by Mr Larry Goodman. Other possible candidates are the UK sugar groups Tate & Lyle and Berisford International, owner of British Sugar. Mr Goodman owns 9 per cent of Berisford.

Irish Sugar warned that it still faced severe competitive pressures, which would worsen as the result of the European Commission's decision to reduce the intervention price for sugar. As a result, great emphasis was being placed on increased efficiency.

In addition to the closure at Thurles, the group has also announced its intention to shut its loss-making agricultural machinery business. The quarries division, which is facing increased losses, is also under review.

Archer doubles as price war slows

By Nick Bunker

THE LONG price war that has savaged London's marine insurance market since 1986 is nearing an end, according to Mr Jimmy Archer, chairman of AJ Archer, the Lloyd's of London underwriting agency.

Claims payments of about $1bn from the 1988 Piper Alpha rig explosion, higher reinsurance costs and falling membership at Lloyd's meant marine insurance premium rates were likely to start rising again "about October time," he said.

Mr Archer made his comments as AJ Archer yesterday reported interim profits more than doubled at £380,000 (£160,000) on turnover of £1.04m (£930,000). The group makes most of its profits in the second half, when it receives profit commissions from Lloyd's syndicates. For the six months to March 31, Archer is paying a 3p interim dividend.

Mr Archer is the first leading Lloyd's underwriter to forecast publicly that premium rates have touched bottom after several years of rampant price competition.

Although premium rates for offshore oil platforms rose 15-20 per cent after Piper Alpha, prices for shipping risks have remained in decline. But, by this autumn "bad figures will start appearing in underwriters' books. That will force them to raise rates."

Regarding the Piper Alpha claims, he said that six months from now, Lloyd's underwriters would have paid "about 50 per cent" of their ultimate liability.

THF plans Europe hotels 'net' by 1992

By David Goodhart in Bonn

MR ROCCO Forte, chief executive of Trusthouse Forte, intends to expand considerably the company's hotel business in continental Europe and have a proper "net" of European hotels established by 1992.

Mr Forte told Handelsblatt, the West German business daily, that in Germany – where THF owns four large hotels – he was looking either to buy or build luxury hotels and was also interested in joint ventures managed by THF.

He spoke too of expansion plans in Italy and Spain and revealed that he was close to signing joint venture agreements in Poland and Hungary.

Negotiations in the Soviet Union have been complicated by Soviet insistence on retaining a 51 per cent share, he maintained.

In West Germany, THF was recently involved in bidding for part of the Wienerwald restaurant group which was eventually bought by Grand Metropolitan for about DM 40m (£12.7m).

MBS NV/SA

MBS NV/SA, a Belgian supplier of professional personal computer systems, has asked us to point out that it has no connection to MBS, the UK computer dealer about whose restructuring plans we reported on May 23.

Disposal gain helps J Smart to £1.79m

A 60 per cent increase in pre-tax profits was achieved by J Smart & Co (Contractors) in the six months to January 31. On turnover which slipped from £6.65m to £6.45m, this Edinburgh-based building and public works contractor reported taxable profits of £1.79m, against £1.12m last time.

The profit figure was boosted by an exceptional credit of £425,000, which represented the gain on the disposal of the group's mixed concrete interests in Fife.

Tax took £627,000 (£392,000), leaving earnings up at 11.54p (7.22p). There was no extraordinary credit this time (£525,000). The interim dividend is raised to 1.75p (1.6p).

The group said that it currently had a greater volume of work on the contract side, than at this stage last year, while private housing work was about the same. On the industrial and commercial side, developments were running at a slightly lower level, it added.

The group estimated that, subject to unforeseen circumstances, profits for the full year, before the exceptional item, should not be less than £2.65m.

Bostrom expands

Bostrom, the vehicle seating and specialist engineering group, has further expanded its specialist engineering division through the acquisition of GA Farndon Engineering, a sub-contract machinist of precision engineered components.

The total consideration, of £2.64m, will be satisfied as to £1.64m in cash on completion and the issue of a loan note for £1m. In the nine months to March 31 the company made profits before tax and non-recurring exceptional items of £730,000 on turnover of £2.73m. Net assets at that date were £1.14m.

UK COMPANY NEWS

Mountleigh chief steps up his campaign to exert greater control over the group

Tony Clegg obtains option on 16.7m shares

By Paul Cheeseright, Property Correspondent

ORGANIZACION Diego Cisneros, the privately-owned Venezuelan group, stands to make a loss of around £20m on a stake it has held in Mountleigh, the changing property group, since 1987. The holding has been available for sale for six months.

Mr Tony Clegg, Mountleigh's chairman, yesterday told the Stock Exchange that a family company had obtained an option to purchase a parcel of 16.66m shares, or 7.6 per cent of the company's equity, at price of 180p a share.

These shares were issued to ODC in December 1987, as part of Mountleigh's £153m purchase of Galerias Preciados, the Spanish department store chain, at 300p a share.

So, while Mr Clegg was prepared to buy into his company at 30p a share more than the market level at the time of the option announcement, ODC could lose 120p a share.

Although the transaction is personal to Mr Clegg, it is nonetheless another stage in Mountleigh's fluctuating relationship with ODC. It also marks a further stage in Mr Clegg's campaign to exert greater control over a company which has lost esteem in the eyes of the stock market.

ODC first sold Galerias Preciados to Mountleigh and then last year bought Paternoster Square, next to St Paul's Cathedral in the City of London, and other properties from Mountleigh.

Subsequently, it has sold the other properties and is offering for sale 75 per cent of the equity in Paternoster Square even though it has not completed the purchase.

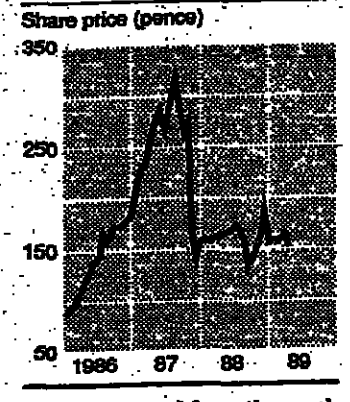
But ODC has appeared to have a strictly limited view of its future relationship with Mountleigh. Last autumn it gave an option – never exercised as it turned out – on the 7.6 per cent share stake to SASEA Holding Group and Tranwood Earl, the small London merchant bank. At that time, SASEA appeared a predator stalking Mountleigh and indeed entered negotiations to buy Galerias Preciados.

Since then Mr Clegg personally has bought SASEA's 14.1 per cent stake in Mountleigh – again at a price of 180p a share – plus a parcel of convertible preference shares for £58.8m. His stake in Mountleigh would rise to 21.73 per cent if he exercised his new option.

Equity stakes in Mountleigh have been shuffling since last autumn. Mr Clegg himself sold out before he bought back in again, and there have been board changes, boardroom rows with the appointment and rapid firing of a new chief executive and a shift in the direction of the company from property trading to development.

The market has been perplexed and the shares have never recovered from the crash of 1987.

Mountleigh Group



Development costs leave Southnews profits static

SOUTHNEWS, which publishes paid for and free local newspapers in south-east England, has shown little change in profit for the year ended April 1 1989.

The year saw development, acquisition and growth. It was characterised by the success of existing publications balanced by the costs of developing newly-acquired titles that will be future profit contributors.

In the year the group, which is USM quoted, lifted turnover from £15.08m to £18.22m but pre-tax profit was held back to £2.83m (£2.81m). Earnings were 12.35p (16.65p) and the final dividend is 3.2p for a total of 4.8p (4.2p).

Reorganisation benefits of the last six months were showing through, and the current year had started well.

Prescription medicines boost Beecham profits

GROWTH IN sales of prescription medicines helped boost 1988-89 profits at Beecham Group, the UK healthcare company planning to merge with SmithKline Beckman of the US.

Mr Bob Bauman, Beecham's chairman, who will become chief executive of the enlarged group, said the UK group had a number of new prescription drugs coming through in the next five years.

Last week Beecham launched Eminase, its new drug for treating heart attacks, adding to a portfolio which includes the anti-biotics Augmentin and Timentin, sales of which increased last year by 36 per cent and 20 per cent respectively.

The market share of Tagamet, SmithKline's best-selling ulcer treatment drug, has been declining recently, but Mr Bauman said the US group was developing new drugs which would help continue the combined group's growth in the 1990s.

Beecham made £491m before tax in the year to March 31, in line with its own forecast when the proposed merger was announced last month and 17 per cent higher than the previous year's profits of £419m.

Sales increased marginally to £2.5bn (£2.48bn), although at constant exchange rates the rise in sales from continuing businesses would have been 10.1 per cent. Earnings per share increased 19 per cent from 33.34p to 39.73p.

Prescription medicines increased sales from £841m to £908m, over-the-counter medicines from £215m to £223m. Continuing consumer product operations increased sales from £772m to £813m. Discontinued operations, including the cosmetic and fragrance businesses earmarked for sale, showed sales of £566m (£653m).

The board announced a second interim dividend of 9.7p, making a total of 16p (14.3p) for the year.

Newlook Woodington profits above £0.5m

WOODINGTON, the Dublin-based company which is being transformed into a leisure services company, reported pre-tax profit of I£542,000 (£460,000) for the 15 months to the end of March. The result was achieved on turnover of £2.68m.

After tax of £350,000, the annualised earnings per share came out at 2.95p.

Directors said that as the former footwear manufacturer did not trade between the beginning of January and March 31 1988 the figures cover the trading activities for the year to March 31 1989.

Mr Phil Edmonds, chief executive, said the company had changed significantly since the acquisition of Preiudeward in November 1988. It now had interests in a hotel, a country club and the St Gery retail development in Brussels.

Cauldon jumps to £337,000 in first half

Profits of Cauldon Group improved from £25,000 to £337,000 pre-tax for the six months to end-March and the directors said the results for the full year would show a material increase over last time's £271,000.

Half year turnover totalled £2.83m (£1.54m) – the group's interests include management services, specialist tool making, press tools, jigs and fixtures. Recently, shareholders gave their approval for a move into the nursing homes business.

US interests pay more for Gateway shares

By Nikki Tait

US-based Mutual Shares Corporation, and associated funds, continue to increase their stake in Gateway, the British food retailer which is facing a hostile £1.73bn bid from the newly-formed Isosceles company.

Mutual Shares Corporation has bought another 800,000 shares at prices of 199½p to 200p – above the Isoceles cash offer for Gateway of 195p – taking its stake to 12m shares or 1.35 per cent.

Herring talks with Brown again

Herring Son and Daw, the chartered surveyor, commercial estate agency and property services group yesterday said it would continue talks with Phillips Brown about a possible acquisition of the Cheshire-based development consultants.

The talks, started earlier in the year, were suspended last week after the unexpected death of Mr David Phillips of Phillips Brown.

Mr Peter Farrington, chief executive of Herring Son and Daw, said that now talks were resuming, he hoped they could be concluded within a month. Phillips Brown would retain its trading name, and become the development consultants of Herring Son and Daw.

In the year ended January 31 1989, Herring reported pre-tax profits of £2.08m.

Omnicom pledged more BMP

Omnicom, the US advertising agency group emerging as a "white knight" for UK-based Boase Massimi Pollitt, has received irrevocable undertakings to accept its 365p-a-share offer in respect of 11.2 per cent of BMP's equity.

Previously, 9.53 per cent was pledged; Omnicom also owns a 7.4 per cent stake. The French BDDP group, the rival bidder, has yet to decide whether to increase its 345p offer.

Brittania Security £15m call to cut borrowings

By John Ridding

BRITTANIA Security Group, the businesses services and alarm installations company, is to seek shareholder approval for a £15m preference share issue.

The move follows a review of the group's financing and a decision to reduce short-term bank borrowing. The company would give no figure for the current level of such borrowings but said that gearing was in excess of 100 per cent. At the end of June 1988 net borrowings stood at £25.75m.

Should the proposal be accepted at an egm called for June 16, the company intends to issue 15m cumulative redeemable preference shares at £1 each.

Mr Kevin Watters, finance director, said funds would be used to reduce borrowing and there were no current acquisition plans. He said tha Britannia was seeking to take advantage of the current market for small preference issues.

The last time the company went to the market for capital was in November 1988 when it launched a one-for-three rights issue to raise £29m for the acquisition of Honeywell Shield, the installation subsidiary of the Honeywell group.

Britannia also *announced* yesterday proposals to introduce share option schemes for overseas employees and amendments to its share option scheme.

MAI still interested in buying Addison

MAI, the money-broking and media group, indicated that it was still interested in making an offer for Addison Consultancy Group once the market research company had completed the sale of its design business to management.

The announcement by MAI, which holds 15.6 per cent of Addison's shares, followed a lengthy statement by Addison on Tuesday which restated the board's belief that its long-term future lay in the development of the market research *division* under existing management.

Motivaction, a French market research company, has built up a 23.8 per cent stake in Addison. Although it said on March 31 that it had no present intention of bidding for Addison, and added later that a bid by MAI would not be sufficient to make it change this position, it has recently sought representation on Addison's board.

Addison said on Tuesday it was asking Motivaction to clarify its intentions.

Letter-box writ is properly served during hasty visit to UK

BARCLAYS BANK OF SWAZILAND LTD v HAHN
House of Lords (Lord Keith of Kinkel, Lord Brightman, Lord Templeman, Lord Griffiths and Lord Lowry): *May 18 1989*

LETTER BOX service of a writ is ineffective unless the defendant is physically present within the jurisdiction, in which case it is deemed to take place on the seventh day after insertion in the letter box "unless the contrary is shown".

Where the defendant was briefly in the UK and knew of the writ within seven days of delivery, the contrary is shown, so that the deemed date is displaced and date of service is thedate on which he acquired knowledge.

The House of Lords so held when dismissing an appeal by the defendant, Mr J.A. Hahn, from a Court of Appeal decision that he had properly been served with a writ by the plaintiff, Barclays Bank of Swaziland Ltd.

Order 10 rule 1 of the Rules of the Supreme Court provide that "(2) A writ for service on a defendant within the jurisdiction may, instead of being served personally on him, be served – (a) by . . . first class post . . . or (b) . . . by inserting through the *letter box* a copy of the writ enclosed in a sealed envelope addressed to the defendant . . .

(3) . . . (a) the date of service shall, unless the contrary is shown, be deemed to be the seventh day . . . after the date on which the copy was sent or . . . inserted through the letter-box . . . (b) any affidavit proving due service of the writ must contain a statement to the effect that, (i) in the opinion of the deponent . . . the copy of the writ . . . inserted through the letter-box . . . will have come to the knowledge of the defendant within seven days thereafter . . ."

LORD BRIGHTMAN said that *Mr Hahn was a South African* national. He had a home in England near Amersham, but did not stay in England for more than six months in any tax year.

Barclays Bank of Swaziland claimed that in 1982 Mr Hahn executed a deed guaranteeing the banking account of a company called Swaziland Chemical Industries.

That company went into liquidation in 1984 owing, it was said, £12m to the bank.

The bank sought payment from Mr Hahn and issued proceedings against him in South Africa. They were abandoned owing to difficulties of service.

On December 16 1986 the bank issued a writ against Mr *Hahn in the UK for recovery of* the money.

In January 1987 leave was obtained to serve out of the jurisdiction, but it was not possible to effect service. The bank then sought to serve Mr Hahn in England.

Under RSC Order 10 rule 1 a writ could, in certain circumstances, be served through the defendant's letter box instead of on the defendant personally.

On April 14 1987 the bank's representative attended Mr Hahn's home with an envelope containing a copy of the writ.

The door at Mr Hahn's home was opened by the caretaker who said Mr Hahn was not there but might be arriving later in the day.

The representative then put *the envelope through the letter* box and left. That occurred at about 3.30pm.

Mr and Mrs Hahn were due to arrive at Heathrow at about 4.30pm on April 14.

The caretaker had prepared the flat for occupation when the representative called.

Shortly thereafter, the caretaker drove to Heathrow Airport to collect the Hahns.

At the start of the journey home the caretaker told Mr Hahn that a man had called at the flat that afternoon and put an enveloped addressed to him through the letter box.

On receiving that news Mr Hahn instructed the caretaker to drive him instead to the White Hart Hotel at Beaconsfield.

Mrs Hahn continued on to the flat where she was shown the envelope. She then returned to the White Hart, and they both proceeded to the Holiday Inn near Heathrow for the night.

Mr Hahn left Heathrow the following day for Geneva, without having visited the *flat*.

Mr Hahn claimed that the writ was not duly served on him because, on its true construction, Order 10 rule 1(2)(b) required that the defendant should be physically present within the jurisdiction at the time of service.

Mr Hahn was outside the jurisdiction when the envelope was inserted through his letter box.

The bank contended that although a writ could be served personally only if the defendant was physically in the jurisdiction, it did not follow that physical presence within the jurisdiction was necessary for the validity of letter box service.

The bank's argument was accepted by the Court of Appeal *([1989] 1 WLR 13, 16)*.

Lord Justice Fox said that the words "a writ for service on the defendant within the jurisdiction "were descriptive of the writ and its service, not of the defendant.

He said "The result is that Order 10 does not require the presence of the defendant within the jurisdiction when the envelope containing a copy writ is put through the letter box or is posted".

His Lordship disagreed. A defendant must be within the jurisdiction when the writ was served was accepted.

The Court of Appeal's approach would mean that a writ could validly be served on a defendant who had once had an address in England but had left and settled elsewhere, providing the plaintiff was able to communicate the existance of the copy writ to him within seven days.

The plaintiff could properly depose that the copy writ would have come to the defendant's knowledge within seven days after it was left in the letter box of his last known address.

It was preferable to reach the same destination as the Court of Appeal, by another route.

The clue to the problem was to be found in paragraph 3(a) of Order 10 rule 1.

That provided that date of service was the seventh day *after the date on which* the copy writ was inserted through the letter box, "unless the contrary is shown".

It followed from the exception that there might be circumstances where the date of service was not the date of letter-box insertion.

The question was, in what circumstances might a plaintiff or defendant be able to show that the seventh day after the letter box insertion was not the date of service; did *such* circumstances exist in the present case; and if so, what date took the place of the deemed date of service?

In the case of letter-box service *nothing* was capable of giving content to the expression "unless the contrary is shown", save that it referred to the defendant's knowledge of the existence of the writ.

It was the obvious solution because the purpose of serving a writ was to give the defendant knowledge of the existence of proceedings against him.

That was exactly what a *defendant acquired* when a writ was served on him personally; and it was exactly what one would expect procedural rules would require when service was impersonal.

So the answer to the first question was that a plaintiff or defendant might displace the deemed date of service by proving that the defendant acquired knowledge of the writ at some other date.

The second question was whether the bank could "show the contrary" – ie establish that the deemed date of service (April 21) ought to be displaced by some other *date*.

The answer was Yes, and that date was April 14.

On that day, after Mr Hahn had landed at Heathrow, he acquired knowledge of the copy writ.

It was appreciated that there was no admission that Mr Hahn knew of the writ, and there was no finding of fact to that effect. But the existence of that knowledge was transparently clear.

Mr Hahn was intending to drive to the flat. He was informed of the existence of the envelope and the circumstances of its delivery, and then changed course and did not go to the *flat. He took* a flight out of England the following day.

Why did Mr Hahn take such *care to stay* away from the envelope?

It was obviously an important envelope because it was to his knowledge delivered by a special messenger.

Why did he not open the envelope or ask his wife to open it? Because he knew perfectly well what it contained.

There was no other conceivable reason, nor was Mr Hahn's counsel able to suggest one.

The bank was able to "show the contrary". It established without a scintilla of doubt that the copy writ came to Mr Hahn's knowledge late in the afternoon of April 14 when he was within the jurisdiction.

The writ was therefore prop*erly served on him* on that day.

The appeal was dismissed.

Their Lordships agreed.

For Mr Hahn: Winston Roddick QC and Michael Soole (Hart Brown & Co, Guildford).

For the bank: Conrad Dehn QC and Michael Brindle (Lovell White Durrant).

Rachel Davies

Barrister

FINANCIAL TIMES SURVEY

President Hoyte has brought Guyana back toward the Caribbean mainstream, ending the self-inflicted isolationism of the Burnham years. Now the need is to attract foreign investment to revive the economy and maximise resources. Report by **Ivo Dawnay** and **Canute James**

The bauxite industry has been hit by a strike since a 70 per cent currency devaluation last month

GUYANA

An economic about-turn

GUYANA, with its African-sounding name, Anglo-Dutch colonial past, Caribbean ethnic mix and South American location, can hardly help being something of an anomaly.

Like the countries surrounding it, Guyana is a republic, yet it owes nothing to the Latin cultures of its two great neighbours, Venezuela to the west or Brazil to the south. On its eastern flank, Dutch-speaking Surinam – while sharing many historical similarities – remains largely a stranger.

For friends and trade, the former British Guiana looks north to the Caribbean and the English-speaking world of North America. And though its position and size – roughly that of the UK – suggests a continental outlook, the country's 750,000 population is largely coastal, and its people feel themselves to be part of the island archipelago.

In part, this insular psychology may owe something to long-standing territorial claims that both Venezuela and Surinam periodically make on its borders. "Unfinished British colonial business," as one Guyanese diplomat complained when the issue was raised again a few years back.

However, it is surely more to do with a cultural tradition that has scattered cricket pitches and calypso bands among the leafy streets and wood and whitewash houses, and that has made Clive Lloyd and Sir Shridath "Sonny" Ramphal, the Commonwealth secretary-general, British household names.

But the balmy trade winds, shady verandahs and sturdy Dutch-built sea walls of Georgetown, its capital, are deceptive in their tranquillity. For Guyana, since its independence in 1966, has long been seen by its neighbours, and indeed by many of its citizens, as a "problem" country fraught with ideological dogmatism and undercurrents of political tension between its majority Indo-Guyanese population and their Afro-Guyanese compatriots.

For many years, under the late President Forbes Burnham – once dubbed by a detractor "an elected autocrat with imperial designs" – the Government travelled steadily leftwards. Comrade ministers of the "Co-operative Republic," dominated by Afro-Guyanese, pursued a nationalistic policy of strict state control over matters political and economic.

And as the country's technocratic and managerial classes – among the most sophisticated in the Caribbean – joined an emigration exodus, the regime regularly renewed its mandate in elections widely perceived to have been fraudulent.

In this at least, unlike most of its West Indian neighbours, Guyana's recent political history has pertained to a Latin American tradition – more demagogic than democratic. Today, Guyana is at a crossroads. Far from its dream of becoming the food store and manufacturing base of the Caribbean Economic Community (Caricom), its official US$320m economy is starved of foreign currency and running trade and budget deficits.

Power and water cuts dog industrial and domestic consumers alike while deteriorating transport and communications infrastructure mean that a need to make a journey or a telephone call can become a major task.

To make ends meet, businessmen and consumers are forced to turn to an ubiquitous "parallel" market of technically illegal but broadly sanctioned smuggled trade, valued by some as worth some US$100m a year.

In a bid to tackle the crisis, President Desmond Hoyte, who became head of state on the death of Mr Burnham in 1985, has now launched a total about-turn in economic policy.

With a series of measures, breathtaking in their breach with the Burnham tradition, the Government has begun programmes aimed at export development, the encouragement of inward foreign investment and the start of a privatisation scheme.

Pragmatic and determined, Mr Hoyte has spoken the language of Mrs Margaret Thatcher to those upset by the ideological implications of the changes. "I do not see any alternative," he told the Financial Times. "The world is not what we would like it to be, it is what it is."

As if to emphasise the point, the Government has now crossed the ultimate bridge to orthodoxy with an International Monetary Fund negotiation that Mr Burnham once warned would be "a recipe for riot."

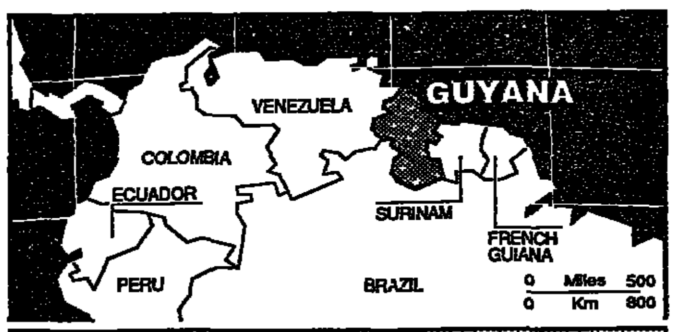
The benefits include some financing from a group of creditor nations to reverse the country's long-standing moratorium on servicing its US$1.7bn foreign debts. But the conditions are rigorous.

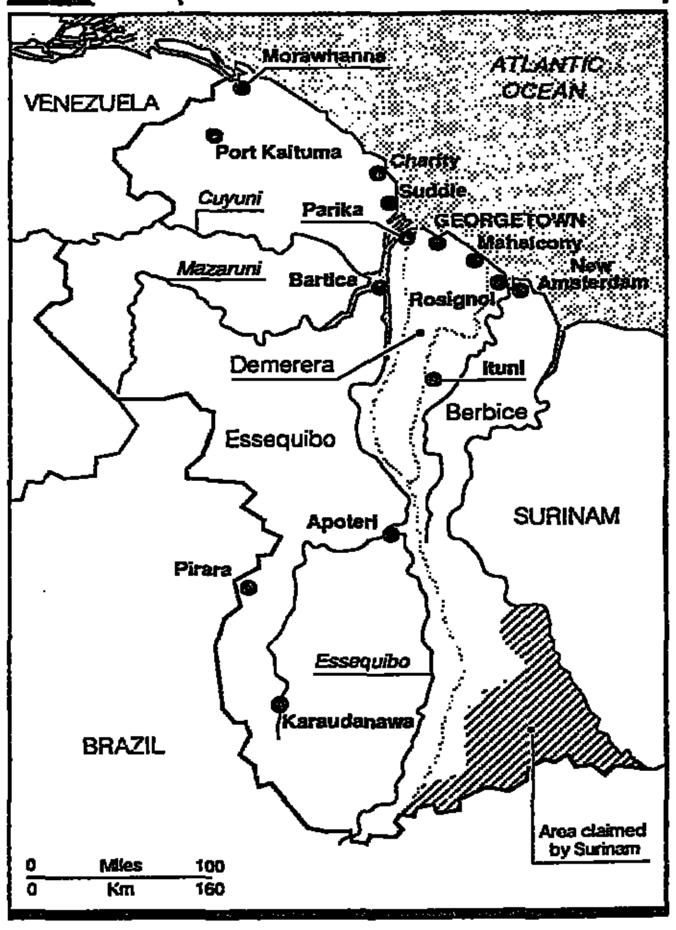
In a March budget, the President's long-ruling People's National Congress Party (PNC) was forced to endorse a 70 per cent currency devaluation and price rises, in many cases tripling the cost of essential goods and services. The consequences have included long and economically damaging strikes in the sugar and bauxite industries that look certain by *force majeure* to demand a rewriting of the IMF targets.

In all this, Mr Hoyte would appear at the very least courageous. But like everything else in Guyana, questions of economic change are inextricably enmeshed in the politics of race.

The country's highly diverse ethnic mix stems from immigrations of African slaves, later tempered with indentured Indian workers from as far apart on the sub-continent as Pathans from the north-west frontier to Tamils from the south.

Moulded into two camps, the racial division has permeated the country's politics. The ruling PNC consequently takes most of its support from the Afro-Guyanese, believed to represent less than 40 per cent of the population. The majority Indo-Guyanese, for their part, favour the People's Progressive Party (PPP), the largest opposition group whose Marxist rhetoric, one suspects, owes more to the inclinations of its veteran leader, Dr Cheddi Jagan, than the true instincts of his often more commercially-minded supporters.





The deadlock between these two parties, fortified by widespread allegations that the PNC has maintained its 25-year hegemony by vote-rigging, has in its turn created the Working People's Alliance (WPA) with two co-leaders to represent both racial strands.

But the co-incidence of race and politics is far from clear-cut. President Hoyte, like Burnham before him, shows deep sensitivity on the issue and has ensured that some Indian officials have held senior positions in the ruling party and the Government.

Both sides claim political support is now cutting across racial lines, though opposition leaders frequently cannot resist pointing to demographic factors as evidence of electoral fraud.

In the light of this impasse, genuine debate on either the economy or anything else is stifled. The opposition has so far offered no alternatives to the new economic programme, beyond arguing that: "There can be no real economic reform without democracy."

Mr Hoyte and his supporters reply that they do not accept that there has been any falsifying at the polls.

This highly unconstructive dialogue looks set to continue until elections, due at the end of next year. The President has ruled out a compromise, offered by his opponents, that a coalition government of national reconstruction should be formed to bypass the bickering and escape the ethnic tensions that lurk close beneath the surface.

Many independent analysts believe the PNC is convinced that if it gives any ground whatsoever, the country will be delivered permanently into clannish Indo-Guyanese hands who will prove equally reluctant to share power. Rather, it is argued, the opposition – with, perhaps, the exception of the still tiny WPA – would limit Afro-Guyanese access to government as vigorously as they themselves are now excluded.

Despite this seemingly irresolvable political context, there are some who believe that the real economic reforms now beginning could prove the catalyst for change.

One foreign banker claims that the recent return of Reynolds Metals of the US, now masterminding a US$25m joint venture for a new bauxite project despite being ousted from the country a few years back, is a symptom of significant change.

Others in the mining industry are showing considerable interest in gold and precious stones. Oil prospecting is under way. And Guyana also has ambitious plans for a road link to Brazil and its isolated south.

The timber industry, along with wood products, is still

Continued on Page 2

CONTENTS

KEY FACTS

Area	214,969 sq km
Population	990,000
President	Desmond Hoyte
Real GDP growth	.0.7 per cent
GDP per capita	US$336
Inflation rate	28.7%
Currency	100 cents = 1 Guyana dollar
Exchange rate (May 15, 1989)	US$1 = G$29.9725; £1 = G$49.14
Exports of merchandise	US$243.3m
Imports of merchandise	US$220m
Current account balance	-US$128m
Reserves minus gold	US$8.4m
Main export destinations	UK 30.2%; US 25.7%; Canada 10.8%; W Germany 5.7%
Total stock of debt	US$1.285bn
Total debt service	US$25m
Debt as % of GDP	520.2
Debt service as % of GDP	10

All data 1987 unless otherwise stated.

Canute James examines the background to the Government's austerity measures

The pain of trying to achieve economic recovery

THE DEBATES in Guyana over the Government's recent economic austerity measures have sought answers to two questions. First: are such severe measures necessary and was there no alternative? Second: if something had to be done, why was it not done much earlier?

Had the Government moved earlier to deal with the crumbling economy, and had it applied corrective measures before the rot really set in, then the dislocation now being experienced would have been that much less. Earlier action, it appears, was the only alternative.

The economy had been overtaken by stagnation. Guyana needed new money but creditors' hearts had become cold. The country's burden of debt was overwhelming any effort to expand the economy. Guyana had not been able to meet its obligations and arrears were mounting.

What it needed, and eventually obtained – at a price – was the International Monetary Fund's "seal of approval" which has opened the doors to new financial support and refinancing arrangements to reduce the debt stranglehold.

The timing of the administration's decision to go to the IMF had less to do with the Government's admission that it had to, and more with the need to allow a decent interval in which to do a *volte-face* in economic policy.

In 1984, after a round of negotiations with the IMF, President Forbes Burnham said the economic conditions the Fund was asking amounted to "a recipe for riot" in Guyana.

The extent of the change since then is reflected by Mr Desmond Hoyte, who succeeded Mr Burnham in 1985. "I do not see any alternative," says Mr Hoyte. "We cannot get any resources unless we have a Fund programme."

The IMF's "seal of approval" has opened the doors to new financial support

Central to the new economic measures is a 70 per cent currency devaluation – which has taken the official rate of the Guyana dollar to 33 to the US dollar. This set off price increases ranging between 200 and 300 per cent, and led to strikes which hit hard at the underbelly of the reeling economy. The sugar and bauxite industries were crippled, but the effects of the measures were pervasive.

"There is a high degree of absenteeism since the devaluation," said one businessman. "A few people have decided it is not worth working for what they are being paid, although many of us immediately increased salaries. But many workers do not turn up because they simply cannot afford the new bus fares."

It is not only the workers, trade unions and the political opposition who are somewhat unhappy with the economic measures. "Everyone accepts that the economy needs to be restructured," says Mr Winston Murray, the Trade Minister. "But what emerges from negotiations is not what is ideal – it is not really what the Government wanted. "We would have been happier with more cash and a longer programme."

But the Government says it has embarked on a programme of readjusting the economy, from which there can be no turning back. "We have to sweat this out," says Mr Hoyte.

The devaluation was one measure to clear the way for a credit agreement with the IMF, and which the administration hopes will open doors to other sources of money for the cash-starved economy. The IMF pact has been attacked by the Government's detractors as being too harsh, but according to Mr Carl Greenidge, the Finance Minister, there is not much else the country can do.

"We are faced with an economy in disequilibrium," he says. "We need to increase domestic output and foreign earnings. There is no alternative."

The economy, based on bauxite and gold mining, sugar and rice, contracted by 3 per cent last year. Most of the main sectors failed to meet production targets. The foreign debt has grown to US$1.7bn, over five times last year's gross domestic product. Of this, $1.2bn – just over six times the total foreign earnings of last year – represents arrears. Mr Murray said the arrears are not the result of a policy decision not to service the debt, but because the Government simply did not have the money.

The current account deficit on the balance of payments is expected by Mr Greenidge to reach $139m this year, $33m more than *last year's deficit.* The parlous state of the economy can be attributed in part to poor performances by the key sectors. Sugar output last year fell by 24 per cent to 160,000 tonnes, while rice output at 132,000 tonnes was *the lowest since 1976. Bauxite* output slipped 12 per cent and gold by 14 per cent.

Guyana's ability to service its earlier loans from the IMF, with arrears now at about $160m, led to the country being made ineligible for further assistance from the institution. Now access to the funds under the new pact will not be available until the country raises money elsewhere to clear these arrears. According to Mr Greenidge, Guyana has raised the money from a group of countries, and that draw-downs from the IMF facility will begin in November.

Given the far-reaching nature of the changes which are being made, and the protests such as the strikes, it is not surprising that the economic programme is being attacked by the Government's critics.

"We oppose the nature of the programme *negotiated* with the IMF, not the IMF itself," says Mr Eusi Kwayana, a co-leader of the Working People's Alliance, one of the opposition parties. "The devaluation is too steep. Devaluation can be a useful tool if you have goods for sale at prices which you can fix yourself. But since bauxite, sugar and rice prices are not fixed by us, there is nothing to be gained except more Guyana *dollars* which have to be spent on higher prices for imports."

Hard currency trading is done openly on a road that has been renamed "Wall Street"

Mr Kwayana argues that the increase in interest rates, part of the economic measures, is hurting local business and leading to higher prices for consumers.

Mr Greenidge says, however, that the higher interest rates – the bank rate is 35 per cent – are intended to reduce liquidity and the inflationary impact of the devaluation. "We have put a cap on bank credit since March 15 so excess liquidity does not fuel inflation," the minister says.

"These measures will also limit the availability of cash for purchases on the parallel foreign exchange market."

To a degree, the attempt at demand management appears to be working to reduce pressure on the parity of the Guyana dollar. The trading in hard currency in Georgetown is done openly, most of this on a road shown on the maps as Americas Street – but renamed "Wall Street." In the days after the *devaluation* the rate soared to G$65 to the US dollar. Five weeks later it had fallen to G$45. If the *fall* in the parallel rate continues, the Government could be spared taking more unpopular action.

Mr Greenidge says the *Government's policy on* exchange rates will be "flexible." If demand management brings the parallel rate closer to the official rate, another devaluation may not be necessary.

There is ready acceptance within the Government that the economic changes are having a painful effect on the Guyanese people. "I expected some industrial unrest because of the measures in the economic recovery programme," admits Mr Hoyte. "I have been completely frank with the people about the programme, and I have said that it is something which we have to do. There is no doubt the measures are tough and they require some sacrifice, but we cannot achieve economic recovery without some pain."

There is, however, growing concern in the Government that the economic programme could be in trouble before Guyana begins draw-downs from the IMF funds. The state of the economy will be reviewed by the Fund at the end of June to see if agreed performance criteria are being met. The fall in production of sugar and bauxite caused by the strikes will reduce foreign earnings and affect the balance of payments targets. The performance of the fiscal account is also threatened by a reduction in government revenues.

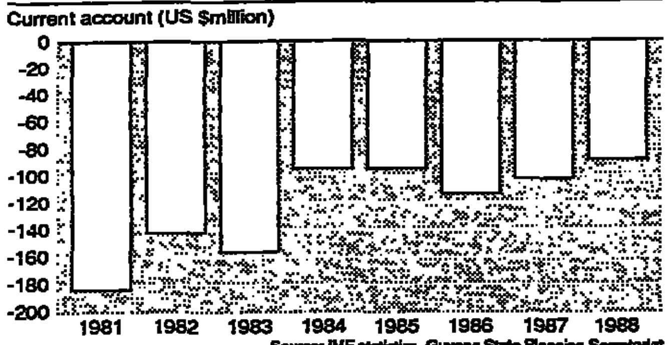
Mr Greenidge has indicated that the Government will discuss this with the IMF, suggesting there are adequate grounds for the administration to claim *force majeure.*

This would be one cost which the administration appears confident it can meet. The other, and more painful, is the social cost of the economic changes which are proving very painful *for the people of* Guyana. According to Mr Hoyte the Government has plans for cushioning the effect of the measures by using financial assistance from several countries and the World Bank "to help those who are most *vulnerable.*"

The president had earlier said that the pain Guyanese most endure with the economic austerity was akin to "purgatory before paradise." Government ministers and officials are understandably *reluctant to forecast how long* the passage through purgatory will last. Guyanese – and not only the cynical – may, equally understandably, fear that paradise could be indefinitely postponed.

Balance of payments

Current account (US $million)



Source: IMF statistics, Guyana State Planning Secretariat

After talks with the IMF, the late Forbes Burnham (above) said its conditions were a recipe for riot in Guyana. The opposition is led by Cheddi Jagan, former Premier and Marxist (below)

Hoyte's economic about-turn

Continued from Page 1

doing well and a number of ventures involving assembly of products from machinery to clothing are up and running or under negotiation. There is no reason why Guyana, more realistic under President Hoyte than under President Burnham, should in the longer term, with careful coaxing, prove its early promise as the supplier and servicer of its colleagues in the Caribbean.

But first the darker aspect of the country – that which will forever associate it in the minds of many foreigners with the bizarre mass suicide of religious fanatics at Jonestown – must be exorcised.

President Hoyte has already gone a considerable way to seeing off some of the many ghosts left by his predecessor. The new economic policy, however painful, may prove a useful lever in returning some measure of sanity to the country's unbalanced finances. It could also spark a modest resumption of foreign interest in the country's advantages of low labour costs, geographical position and farm and mineral potential.

But it will take more than this to convince the thousands of skilled immigrants who have deserted their homeland that profound change is taking place. In his interview, President Hoyte hinted that next year he may authorise observers from Caricom to oversee the elections.

The possibility – many would say certainty – is that if the polls were impeccably conducted, he and the PNC would fall. But ironically, such an outcome – unlikely to be welcomed by the US and UK whose dislike of Dr Jagan's out-dated Marxist rhetoric is well-known – might also arguably signal this young country's final coming of age.

Political conundrum still unresolved, writes **Ivo Dawnay**, but...

Mr Hoyte puts a stop to the reign of terror

GUYANA'S POLITICS are *dogged by one unpalatable* conundrum unresolved since President Forbes Burnham died under surgery in Cuba in August 1985 — a majority Indo-Guyanese population is ruled by a predominantly Afro-Guyanese Government.

In a country whose motto is "One People, One Nation, One Destiny," it seems positively subversive to ask how racial demographics break down. But the near-universal opinion is that citizens with origins in the sub-continent represent more than half the population while the African minority is little more than 30 per cent.

Before British and US manipulations in the 1960s ensured that a proportional representation system helped oust Dr Cheddi Jagan, the Marxist leader of the People's Progressive Party (PPP), Indian hegemony — underpinned by a higher birth rate — looked assured.

Indeed, one calculation has it that racial origin paralleled political voting patterns to within a percentage point.

However, in the last elections, the popular vote gave the African-dominated People's National Congress (PNC) 42 seats against just eight for the PPP and three for other parties.

Hardly surprisingly, the results — like those of every election since 1968 and a crucial constitutional reform referendum in 1978 which thrust yet more power into President Burnham's hands — have been greeted with furious accusations of shameless vote-rigging by the Government and its allies.

As a consequence, the opposition's perennial challenge to the PNC's legitimacy as a properly elected Government dominates all aspects of politics, eliminating any serious discussion of the pressing economic and social issues now engulfing the *country*.

Since assuming power, President Desmond Hoyte has taken some steps to undo the worst of his former mentor's regime. Strengthened by a reputation for seriousness and honesty and encouraged by a widely-felt "Give Hoyte a Chance" sentiment, the new president has put a stop to what, at times, was close to a reign of terror.

Unexplained political murders have ceased. Some of the most blatant electoral abuses, like a dubiously compiled and almost exclusively PNC-voting overseas voters' list, have been abolished. And while the Government dominates the media, a new bi-weekly paper — the Stabroek News — has emerged.

Earlier this year, Mr Hoyte demoted the late president's widow and several other ministers closely associated with the old strongman. And in an interview with the Financial Times, he suggested for the first time that independent observers — most likely from the Caribbean Economic Community (Caricom) — may be invited to oversee elections due by the end of next year.

Even if the President had wanted to reform the creaking political machinery of the country, powerful party bosses might not allow him to threaten the hegemony of the PNC

All this is to be welcomed. But for the opposition, it is not enough.

The PPP and newer groups like the Working People's Alliance, founded as a bi-racial axis in 1973, argue that in many areas the bad old days have never gone away.

In the December 1985 election, opposition parties which boycotted the vote-counting process again accused the PNC of hijacking the results — a charge that Mr Hoyte vigorously but not wholly convincingly denies.

Frustration among trades unionists with the PNC-dominated Trades Union Congress led, in September 1988, to the creation of the Federation of Independent Trade Unions of *Guyana (Fidug) — a grouping* that has since been cold-shouldered by the Government.

Responding to the strikes in the sugar and bauxite industries against the new economic austerity plan, the Government has cracked down hard on organisers with reports of tens of arrests on allegedly dubious grounds.

Its political opponents argue that basic rights of assembly and association are routinely ignored, just as they were in the Burnham days. Despite this repression, however, the strength of workers' reaction to the cut in their living standards has gone some way to encourage the disheartened opposition parties. Mr Rupert Roopnaraine, the Indo-Guyanese half of the WPA's joint leadership, says that with sugar dominated by Indian workers and bauxite by Afro-Guyanese, the protest has bridged traditional social divisions.

"It is the first time since the referendum of 1978 that the two racial strands of society are so united," he points out. "The sugar and bauxite movements are working together."

Nevertheless, his partner, Mr Eusi Kawayana, appeared doubtful this month as to the likelihood of a voluntary liberalisation of political activities by the PNC. "The PNC is under siege," he says. "They see any democratic opening as a tidal wave that would sweep them away.

"Racial insecurity is part of the psychology of the Guyanese."

Efforts by a five-party alliance — the Patriotic Coalition for Democracy (PCD) — to persuade Mr Hoyte to open a national dialogue with all social forces including the unions and the churches have been ignored, the WPA claims.

In consequence, the coalition is attempting to hammer out a common platform for next *year's polls — not necessarily* excluding a government of national reconstruction with PNC participation.

But even this somewhat Utopian exercise is in danger of being bogged down in arguments as to whether the programme should or should not have an overtly socialist tone. The WPA opposes this, pointing out that "under the slogans of socialism, Burnham was systematically destroying the country."

However, sections within the PPP remain doggedly Marxist. This seems deeply paradoxical as a large proportion of Guyana's business is conducted by those of Indian origin suggesting that they, not the PNC, should be the champions of free-enterprise orthodoxy.

As Mr David de Caires, a lawyer and publisher of the Stabroek News, indicates, the economic crisis is forcing the PNC away from its natural instincts: "Nationalisation was a cultural and social phenomenon — the Africans are the natural beneficiaries as party apparatchiks."

For many independent observers, it is the unreformed Marxism and personality of Mr Jagan that has served to preserve the PNC's stranglehold on power. Mr Hoyte, like his predecessor, regularly raises the spectre of a communist Guyana to quieten US, UK and Caricom critics of his regime.

With his economic reforms now announced, it remains unclear whether the pragmatic president has a hidden political agenda to restore Guyana to full democracy and international respectability. One theory has it that he is to a considerable extent a captive of the party; that even if he would like to reform the creaking political machinery of the country, powerful party bosses will not allow liberalism to go so far as to threaten the hegemony of the PNC.

So far, despite the dramatic crash in citizens' living standards and widespread dissatisfaction with the Government, the opposition looks a world away from power.

President Hoyte has also made clear that he is not interested in coalitions — "Personally, I do not think I can work *with those people*," he says.

Many believe, however, that if Guyana is to become something more than the last stop on the branch line of the Caribbean archipelago, a larger dose of glasnost will have to be added to the perestroika that his Government has begun.

MINING

A warmer welcome for gold and bauxite prospectors

IN THE gloom which confronts those who plan Guyana's economy, it is perhaps the mining sector which offers the best indication of short-term relief. The bauxite industry is about to get an injection of millions of dollars in new investments which could lead to a three-fold increase in production in the next 18 months.

Foreign companies, encouraged by new, liberal investment policies offered by the Government, are moving into the gold mining sector. Officials say the expansion in both bauxite and gold follows an end to the policies of nationalisation and state ownership of major economic sectors, which guided investment policies in the 1970s. Foreign investors appear eager to test these new waters.

The bauxite industry, one of the main foreign currency earners, is being expanded and rehabilitated with new funds of about US$80m. The largest part of this is $35m from the European Community, under its Sysmin programme.

"We have managed to get the funds after about eight years of negotiations," says Mr Dunstan Barrow, chairman and chief executive officer of Guyana Mining Enterprise. This will allow the state-owned company to open new mines, study the needs of the industry and obtain technical assistance.

"Previously we were unable to take a comprehensive look at the industry," Mr Barrow adds. "With agreement with the European Community in place, we are about to restart talks with the World Bank which is also a source for funds that can be used to help the bauxite sector."

The Government and Reynolds International, a subsidiary of Reynolds Metals of the US, are concluding an agreement for a $25m joint venture company to produce various grades of bauxite. The operation will be located at Aroima on the Berbice River, and will exploit deposits estimated at between 30m and 35m tonnes at a rate of 2.6m tonnes a year.

Mr Barrow says the agreement should be concluded by the middle of this year. The significance of the joint venture goes beyond its value to the bauxite mining sector. Government officials say the involvement of Reynolds in the industry is proof that new economic thinking which makes state ownership of the major sectors a thing of the past, has been accepted by foreign investors.

Reynolds is not new to Guyana's bauxite industry. The company's operations were nationalised in the mid-1970s, and the Government last year completed compensation payments to the company at a rate of $10m a year for 13 years.

Bauxite Output (Millions of tonnes)

1981	1.48
1982	1.16
1983	1.09
1984	1.55
1985	1.60
1986	1.50
1987	1.55
1988	1.39

Source: Guyana Mining Enterprise; Guyana State Planning Secretariat

Gold Production (Ounces)

1981	19,000
1982	8,600
1983	4,950
1984	11,130
1985	10,300
1986	14,000
1987	21,400
1988	18,800

Source: Guyana Gold Board; Guyana State Planning Secretariat

"For the past five years the bauxite industry has been fighting to stay alive," Mr Barrow says. "We have been able to do it. But in the next year we will have to develop a long-term strategy for the industry"

Bauxite output will also be expanded through a contract awarded by Guyana Mining Enterprise to a Venezuelan firm, C A Dayco de Construcciones, to mine 1.4m tonnes of ore over three years. The ore is to be sold to Interalumina of Venezuela.

"This project should get off the ground by the middle of June," Mr Barrow says. The new projects, at optimum production, should triple Guyana's bauxite output which has averaged 1.5m tonnes a year for the past decade. At the start of this year the industry had set an aggregate production target for calcined, metal and chemical grades of bauxite of 1.7m tonnes for the year. This projection has been torpedoed by the strike in the bauxite industry to protest at the Government's economic austerity measures.

"We started well this year," says Mr Barrow. "In the first quarter we achieved 90 per cent of our production target, but in April alone we dropped about US$9m in earnings."

One aim of the rehabilitation programme is to improve the profitability of the industry. According to Mr Barrow, the sector's net profit last year was $3.5m, against $3.2m in 1987.

Further expansion of the industry is likely if the Government can conclude protracted efforts to reopen the country's only bauxite refinery. The plant, owned by Alcan before it was nationalised in the mid-1970s, was mothballed six years ago. Hydro Aluminium of Norway and the Guyana Bauxite Industry Development Company are concluding a study on the feasibility of rehabilitating the refinery.

Early indications are that this would cost just over $100m, and that a new company would be established, with or without state involvement, to run the plant. New mines would be opened to feed to refinery, and government officials say an effort would be made to produce at its full rated capacity of 300,000 tonnes a year.

"For the past five years this industry has been fighting to stay alive," Mr Barrow says. "We have been able to do it. But in the next year we will have to develop a long-term strategy for the industry."

While the bauxite industry is trying to break new ground, gold mining is hoping to recapture its former glory. Guyana has a long history in gold mining, and there is evidence that substantial deposits are yet to be exploited. But production, which peaked at 140,000 ounces in 1894, has declined since then, and fell to 5,000 ounces in 1983.

Since then, there has been a concerted effort by the Government to lift production which officials say is much higher than the volume that is declared. Guyana's gold sector has suffered from the smuggling of substantial quantities across the borders, mainly to Brazil and Surinam.

With better prices offered to miners by the Guyana Gold Board, declared output rose steadily to 21,400 ounces in 1987. Although a target of 30,000 ounces was set for last year, declared output slipped to 18,800 ounces. Most of the production has traditionally come from individual miners, but over the past three years foreign mining companies have been increasing their involvement, encouraged by new government incentives.

New terms for exploration licences and royalties paid on gold which is extracted, in addition to duty-free concessions and guarantees for the repatriation of profits, are intended by the Government eventually to lift declared output to about 200,000 ounces a year.

The opening of the industry to foreign companies has attracted companies such as Golden Star Resources and Placer Dome. They are being joined by Giant Resources of Australia and Paranapanema of Brazil. The new efforts are concentrated in areas which have a long history of gold mining.

Canute James

Agriculture continues to underpin the country's economy

Downturn in sugar as rice crop falls

DESPITE THE growing importance of the mineral sector, it is agriculture which continues to underpin the Guyanese economy. The production and processing of agricultural commodities account for just under a third of the country's gross domestic product.

Consequently, recent poor performance by sugar and rice, *the major agricultural* commodities, has contributed significantly to the problems of the wider economy. Sugar is the main net earner of foreign exchange. Export earnings last year were US$71m and, according to Mr Errol Hanoman, finance director of the state-owned Guyana Sugar Corporation, about 70 per cent of this remained in the economy.

But earnings last year were about a quarter less than the target set by the Government, and $25m below those of 1987.

"We had a four-week strike in the industry early last year," said Mr Hanoman, to explain last year's reduced production. "This was followed by a drought in the first half of the year. When the drought ended we had very heavy rains. We went from one extreme to the other."

Output has been slipping *over the past decade*, from 324,800 tonnes in 1978. The fall was due partly to a disease which afflicted the canes, and led the industry to change to a resistant but less productive variety. This, and low productivity, led to losses and increasing dependence on already weak state finances to support the industry.

A plan to rationalise the industry saw the Government setting an annual production target of 240,000 tonnes to meet the demands of the main markets – the European Community, the US and domestic consumption. Two of the country's 10 mills were closed and the area under canes was cut by 25,000 acres to 95,000 acres. Mr Hanoman says the industry is already seeing the benefits of these measures, with an end to the losses suffered in the mid-1980s.

Like the sugar industries in most of its Caribbean neighbours, however, Guyana's lives on access to special markets at favourable prices. With production costs at 18 US cents a pound, the industry would collapse if it had to compete on the world market.

The major market is the European Community under the sugar protocol of the Lome Convention, with Guyana's quota being 167,000 tonnes a year. "This is our bread and butter market," explains Mr Hanoman. "The US market is valuable but not as important. In 1974 our US quota was 102,700 tonnes. It is now 10,000 tonnes."

So important is the European market that the industry last year met its quota at the expense of the domestic market which consumes 36,000 tonnes a year. Guyana took the unusual step of importing sugar – 3,500 tonnes – to satisfy local demand.

It is because of the importance of these special, guaranteed markets that the strike in the sugar industry to protest at price increases was being regarded as a threat to the future of the European market. Before the strike began the Guyana Sugar Corporation was projecting this year's output at just over 200,000 tonnes. "We will have to revise this downward," says Mr Hanoman.

Guyana is committed to shipping 89,000 tonnes to Europe by the end of June, but only 49,000 tonnes have been sent so far. "We will suffer a shortfall and we will make a claim of *force majeure* to the Community," says Mr Hanoman. "But we will subsequently have to deliver our full quota or run the risk of losing a part of it."

Guyana is already a major exporter of fish, and of shrimps to the US. It is in forestry, however, that the country could develop a valuable *industry. Three-quarters of Guyana is forest* with a wide variety of exploitable species

Some of the land taken out of sugar is being used for livestock and for the production of rice – an industry which has also had a bad year. National production last year was 132,000 tonnes, 14,000 tonnes less than in 1987.

"The first rice crop last year was affected by drought and there was too much rain for the second crop," says Miss Darlene Harris, chairman of the Rice Board. "The industry was also hit by disease which reduced production. This resulted in a reduction in the yield which is normally between 22 and 25 bags (140 lb each) an acre. This fell last *year to between 10 and 11* bags an acre."

Exports also declined last year to 56,000 tonnes, 13,000 tonnes less than in 1987. But Miss Harris says there are plans to expand production because the country can find larger markets for exports, which now go to the European Community and the Caribbean.

"We can make better use of the EC quota of 122,000 tonnes a year to the African, Caribbean and Pacific group," she explains. "In the Caribbean Community we are supplying only 10 per cent of the market *for rice. We are also getting* inquiries from neighbouring countries in Latin America, but we cannot supply them."

Subsequent improvement in production will depend on the industry obtaining machinery and spares which it needs. Miss Harris says discussions are being held with the Canadian Government and the Interamerican Development Bank.

According to Mr Carl Greenidge, the Finance Minister, the Government's plan for the development of agriculture aims for rice production of 240,000 tonnes a year by 1991, with exports of 100,000 tonnes. He says the Government will assist the industry, run mainly by private farmers and millers, with improved management and infrastructure, including storage and irrigation.

But the country has the potential for a much broader-based agricultural sector. Efforts are being made, for example, to increase cattle and milk production. Guyana is already a major regional exporter of fish and shrimps, with much of the latter being exported to the US. Shrimp production last year was 3.8m kilograms, 7 per cent higher than 1987 output.

It is in forestry, however, that the country could develop a valuable industry. Three-quarters of Guyana is forest with a wide variety of commercially exploitable species.

Timber output of 4.4m cubic feet last year was 15 per cent below 1987, and exports dropped 36 per cent.

Canute James

Sugar Production (Thousands of tonnes)	
1978	324
1979	298
1980	269
1981	300
1982	287
1983	252
1984	242
1985	243
1986	245
1987	221
1988	167

Source: Guyana Sugar Corporation

Rice Production (Thousands of tonnes)	
1978	145
1979	142
1980	166
1981	163
1982	182
1983	148
1984	179
1985	156
1986	171
1987	146
1988	132

Source: Guyana Rice Board

BUSINESS OUTLOOK

Danger that IMF's medicine might prove too strong

AFTER HOWLING for years for a return to economic orthodoxy and fiscal rigour, Guyanese businessmen are now remonstrating at a Government that has taken them at their word.

At their traditional watering holes from the national cricket club to the Pegasus Hotel – rumoured to be Trusthouse Forte's most profitable on paper in the world – little clusters of executives swap the latest rumours and doom-laden prognostications.

"The private sector is increasing wages between 40 and 100 per cent," says one, failing to mention that the value of exports has trebled.

Another adds: "We are going to have to import foreigners to work." While a third, in the timber trade, observes: "The cheapest pre-fab house in Guyana is now US$50,000. But they can land them at US$11,000."

Such a dismal outlook is perhaps, not surprising in a country where the infrastructure – from telephones and roads to power and water supply – is daily deteriorating and every week brings news of more skilled workers and managers joining the emigration pipeline for less arduous conditions abroad. Mr Brian Gittens, head of an association uniting 150 medium and larger-sized companies, concedes that his members strongly supported a return to the International Monetary Fund (IMF) but had been shocked by the toughness of the package.

"After our members saw the terms, they decided to run for cover," he observes. "With interest rates at 40 per cent at a time of no imports and no power, they can't meet their obligations and they can't afford to create new debt. Specifically, the private sector – representing possibly less than 25 per cent of total gross domestic product – is urging reforms to the "retention" laws that would allow exporters to retain foreign exchange to buy foreign inputs.

It is also pressing for reductions in the so-called consumption tax on companies which rises to up to 50 per cent in some cases, encouraging smaller companies to take to *the black market economy*.

Every week brings *news of skilled* workers joining the emigration pipeline

But the inevitable downturn in internal demand generated by the huge rises in prices is a new concern to add to businesses, many of which are now operating at as little as 10 per cent of capacity.

There is also scepticism *over the scope of the new* privatisation programme given the reluctance of foreign companies to come into a country where rights to remit profits and dividends are decided often on an ad hoc basis and in most cases denied outright.

Four major international banks, including Royal of Canada, Barclays of the UK and Chase of the US, have pulled out in recent years for just this reason.

With smuggling rife and a black economy calculated to turn over more than US$50m and possibly over US$100m a year, the disincentives to run legitimate business on a scale visible to the tax authorities are substantial.

"The businesses that are suffering are manufacturers for the domestic economy because their equipment is outdated and their efficiency is very low – imports could wipe them out," Mr Raymond Ackloo, manager of the National Bank of Industry and Commerce, says.

Export-oriented industries aimed at hard currency market and with a high proportion of local inputs must be the way ahead, he emphasises. The country also should use its low unit cost labour to develop contracted in garment assembly.

"The growth areas are where there is a fair proportion of labour value added," Mr Ackloo says. "The problem is finding local entrepreneurs ready to invest – that means we need foreigners to come in."

In some sectors, most specifically minerals, this is happening, giving some clear grounds for hope in an improvement in hard currency earnings. The renewed interest of foreign mining companies – led by Reynolds of the US's US$25m bauxite project and the Brazilian group Parapanema in a gold scheme – are vital bonuses.

There are also nine oil drilling operations under way. But elsewhere, excepting an investment by Beecham, the pharmaceutical and home products company, overseas capital remains understandably hesitant.

Among local companies, some such as engineers, IEL, diversified rum exporter Demerara Distillers and a smattering of wood products companies are still making headway despite the unattractive business environment.

But, given the country's almost total dependence on the state-owned sugar and bauxite industries for the vast bulk of its foreign exchange earnings, the future of much of Guyana's private sector will rest not on its own efforts but in the public companies' abilities to earn abroad. The long strikes in both sectors are hardly a good start for the new strategy. Ministers Mr Carl Greenidge and Mr Winston Murray – Finance and Trade respectively – recognised in an interview that the credit squeeze and the need for companies to find their own hard currency for imports will inevitably inhibit investment. But they insisted that the Government's solemn undertaking to halt any further expansion of the public sector and to divest assets mean that opportunities are still there.

In particular, they are anxious to encourage joint ventures with foreign partners willing to put up hard currency for export-oriented projects. "We are prepared to entertain any proposal," Mr Greenidge says.

Half a dozen state companies – from a tiny processed food producer through the catastrophic bus company to a rather efficient paint producer – are up for sale. But businessmen question who might be interested in acquiring assets aimed principally or entirely at local markets.

Mr Kim Kissoon, a successful Georgetown manufacturer of wood products, is dubious about the privatisation programme. "You don't divest companies that don't make money, you sell the ones that do," he insists. An advocate of more radical supply-side solutions to the crisis, Mr Kissoon claims that some 7,000 cars were imported in the first quarter this year – the bulk financed by illegal gold transactions that escape the tax net.

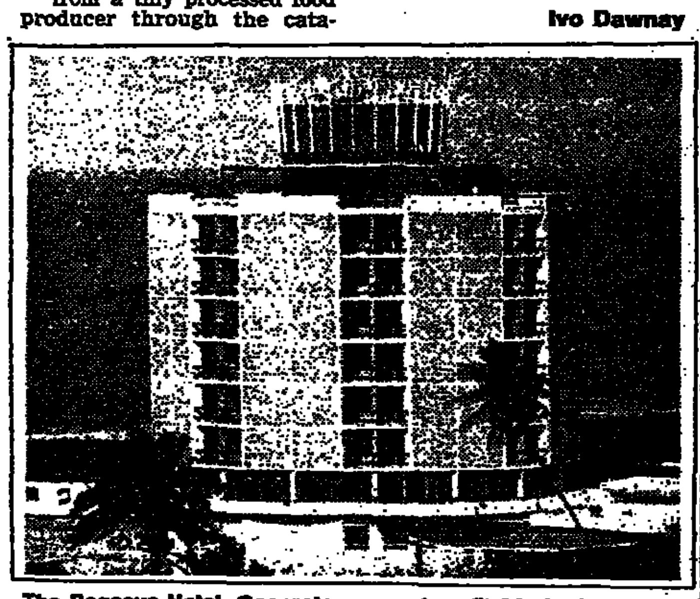
The Government could have reduced the dangers of strikes in sugar if it had handed an equity participation in Guysuco to the workers, he says.

But whatever the weaknesses of the Government's about-turn on economic policy, it is generally argued that it had little alternative option. Many Indo-Guyanese, like Mr Kissoon, remain to be convinced that the Government has really abandoned "state-capitalism" for good.

Others are prepared to wait and see. "People genuinely believe in Hoyte's integrity – that's why many want to give him a chance with this programme because he is committed and not corrupt," Mr Gittens concluded.

"Many business people think this is the last real chance we have to get back on stream – but the medicine might kill us."

Ivo Dawnay



The Pegasus Hotel, Georgetown: most profitable in the world?

PROFILE: Father Andrew Morrison

A hawker of the Fourth Estate

WITH A broad-brimmed Panama wide enough to shrug off a tropical storm, light blue shirt-jacket and regulation Society of Jesus-issue navy trousers, Father Andrew Morrison heads out to the market to do battle with the other *street hawkers. Eccentric,* maybe. But his beatific smile hardly makes him look, as the President of the Republic has described him, like "a man never satisfied unless he's wallowing in a cesspool of lies" or, for that matter, like "a cassocked obscenity."

"I deeply resented the last one," the 69-year-old Jesuit complains. "I never wear a cassock."

Father Morrison is, nevertheless, in his own mild-mannered way the kind of turbulent priest that drives authoritarian governments to distraction. Armed only with his grubby newsheet, the Catholic Standard, and the kind of genuine Gandhiesque integrity that begs instant martyrdom, he has for 13 years been Guyana's one-man symbol of press freedom, needling the conscience of the regime.

Guyanese-born of Anglo-Dutch parents, Father Morrison began working life as an accountant. He dropped out at 29 to take orders in England, only to return for a long career in jobs ranging from parish priest to diocesan treasurer. But it was only when, 13 years ago, the editorship of the Standard – once a learned Jesuit journal, then a parish pump newspaper – fell into his hands that he became a significant actor on Georgetown's tiny political stage.

"We had a meeting to discuss the paper and everyone insisted that we turn to real news," he recalls. For a decade, until the death of President Forbes Burnham in 1985, *it was the Standard alone that* flew the tattered banner of opposition, its smudgy reports winning a sell-out circulation of 9,000, limited only by the lack of newsprint.

Father Morrison's controversial career has survived at least four libel writs – two from the present head of state and one from the late-President as journalist and also the attentions of a murderous cult led *by a self-styled Black* Rabbi from the US, now in a prison convicted for homicide. He has won awards from the Inter-American Press Association and New York's Colombia University.

A passionate opponent of the Burnham regime, he is somewhat less critical of President Hoyte while being among the many who are convinced that 1985 elections that elected him were, like their predecessors, rigged.

"Over the years we have been saying the same thing. Lack of democracy is the main trouble with this country," he argues. But with Jesuit rigour, he has also ticked off the late and unlamented regime of Maurice Bishop in Grenada and castigated the US and UK, who manipulated Mr Burnham's first electoral victory, for not accepting their part in Guyana's economic decline.

"The foreign debts are run up not by the people themselves, but by the people who manage the country with the support of the western powers."

The editor and newsvendor priest believes that only a gov*ernment of national reconcilia*tion can right Guyana's now acute economic and political crisis. And as he shuffled off on his rounds of Georgetown's Stabroek Market, it was clear that his message of national renewal had a ready audience across a multi-racial, multi-re*ligioned* readership – many of whom waived their change as a contribution to the cause.

Somehow, it seemed, the so-called "cassocked obscenity" brings out the best in people.

Ivo Dawnay

PROFILE: The President

Socialism? There's a lot of glib talk, says Mr Hoyte

IT IS not surprising that the major influence on the political thinking of President Desmond Hoyte, by his own admission, is former President Forbes Burnham. In private life as a lawyer, and in his subsequent years in government, Mr Hoyte was, to a large degree, under the tutelage of Mr Burnham.

But there is no agreement among Mr Hoyte's detractors and his supporters about whether the president is a clone of Mr Burnham. The political opposition, and not a few Guyanese, argue that the president is, politically, not far removed from his predecessor. Mr Hoyte passionately defends himself against charges that he is bent on the continuation in office and the supremacy of the ruling People's National Congress, and that he has indulged in less than honest electoral practices to achieve this end.

The arguments are less trenchant when Mr Hoyte's economic policies are discussed. He gives a clear impression of being his own man, willing to break the taboos which were fundamental to Mr Burnham's economic thinking. Mr Hoyte argues for increased private sector involvement in an economy in which the state had become, as a matter of policy, the only major player.

The agreement with the IMF would have been unthinkable six years ago

The current agreement with the International Monetary Fund, and the severe austerity which Mr Hoyte is implementing, would have been unthinkable in Guyana six years ago. Some of his critics, who privately admit that he is moving in a different economic direction, say also that the President had no alternative – that he had been forced into changing because of the parlous state of the economy. But in *doing so, say some officials of* the PNC, the President has incurred the disaffection of some senior party members who regard his policies as a betrayal of the mantle he accepted from Mr Burnham.

Questioned about his position on the ideological spectrum, Mr Hoyte does not deny that he is steering Guyana away from its socialist course. He argues that there are objectives which the Government has to achieve for the people of Guyana, implying that the means are what have been changed. Yet indications of a new thinking were evident three years ago when Mr Hoyte addressed a public meeting.

"There is a lot of glib talk about socialism," he said then. "If socialism could have been built by words ... we would have been the most advanced socialists in the world. So let us forget the cant and prattling and get on with the work."

When Mr Hoyte succeeded Mr Burnham in August 1985, the transition was smooth, without the infighting which had been expected by some Guyanese. Many believe the president had been anointed by Mr Burnham, but Mr Hoyte says his entry into politics was "accidental."

"I am not a political animal," he says, explaining that, as a young lawyer, he had been invited by Mr Burnham to join his practice. From there, the move into politics – and the close ties with the former president – were to be expected.

Mr Hoyte was born in Georgetown in 1929 and after leaving school became a civil servant when he was 19. He later read law in London, obtaining his *Bachelor of Law from the* University of London. He was elected to parliament in 1968 and between then and 1980 held various ministerial posts including home affairs, finance, works and communications and economic development.

"My single ambition is to put this economy right ... on a path to recovery"

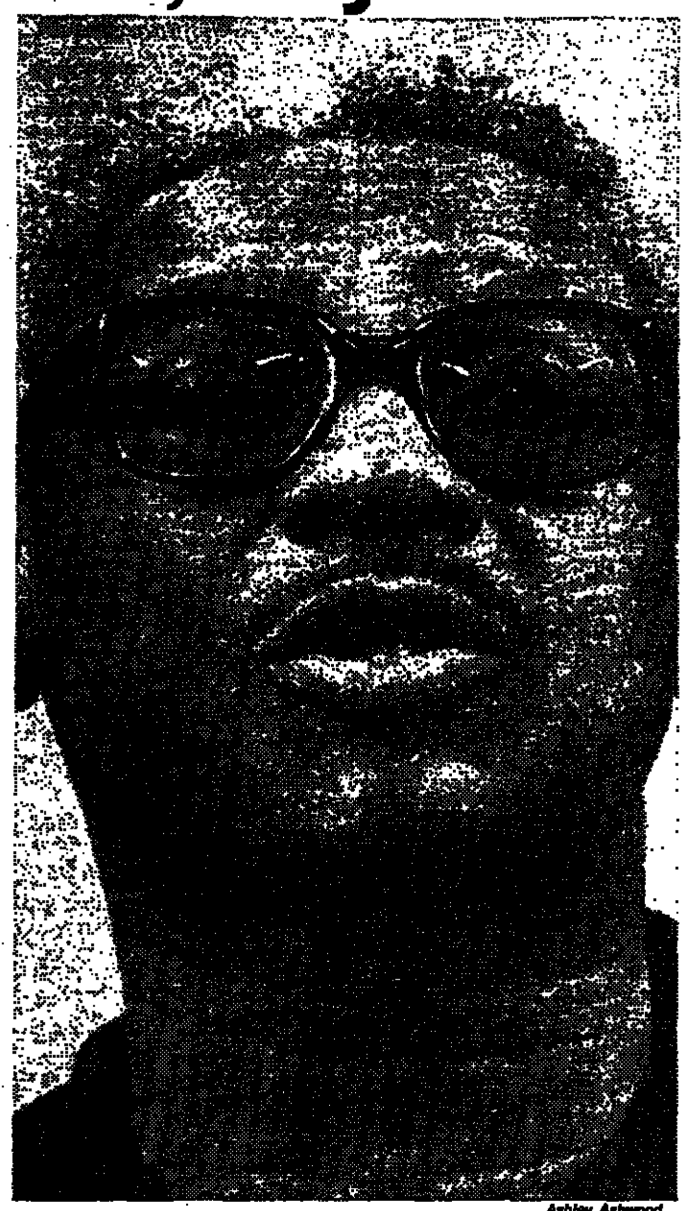
He was named vice-president in 1980, with responsibility for economic planning and finance, and was later put in charge of finance. His last post before becoming president was as prime minister and first vice-president.

"The first duty of a government is to be practical," the President says. "My single ambition is to put this economy right. I want to put it on a path to recovery."

He is not overwhelmed by the task. "I will not give up because it is difficult. If I were to leave when the going is rough I could never be happy with myself."

And he is clear on his future involvement in politics. "I do not think anyone should stay for more than two terms." His first term ends next year.

Canute James



Ashley Ashwood

President Hoyte: "I am not a political animal"

PROFILE: Demerara Distillers

Rum rations for the workforce

DEMERARA DISTILLERS Limited – whose logo is a fighting corsair from the time of Sir Walter Raleigh – stands out like a boisterous buccaneer among the grounded, top-heavy galleons of Guyana's corporate state sector, writes Ivo Dawnay.

With a 300-year-old history rooted in the days of Dutch hegemony, when trading company profits often owed as much to proficiency with the broadsword as to entrepreneurial skill, the modern DDL has proved the first and most *public success in President* Hoyte's uphill struggle to privatise.

Much of the credit for this can be attributed to Mr Yesu Persaud, a third generation Indo-Guyanese whose London training in accountancy failed to dampen his sparkling enthusiasm.

"We have evolved from the Demerara Company founded by a Scotsman called McKinnon in 1782, but in fact the company's origins are older than that," he claims.

As British Guiana's version of the East India Company, Demerara was swiftly overhauled in the 19th century by Booker (later Booker McConnell) and re-emerged prominently in the public eye only when it was taken over by Jessel Securities in 1970.

When Jessel collapsed in 1975, the Guyana government *took it as yet another lame* duck under the state's wing, adding Booker's Guyana Distilleries Ltd the following year, at the height of President Burnham's nationalisation fervour.

Promoted from finance director to chairman, Mr Persaud remembers finding the company under-capitalised, under-maintained and in a state of virtual collapse. "We had just sent 6,000 (60 gallon) barrels to the UK and the lot had been rejected as of inadequate quality – it took until 1979 to sell them."

Since that low point, Mr Persaud has restructured both companies, built the Caribbean's first bulk terminal for rum and built Demerara into the UK's dominant supplier, contributing to well-known brands such as Lamb's Navy and *Lemon Hart Demerara,* and now heavily promoting own brand products, including an excellent 12-year-old.

He has also diversified, taking on the franchise for De Kuyper, the Dutch liqueur maker, producing local fruit wines and concentrates and building a carbon-dioxide plant. Pre-tax profits of the two merged companies rose from US$1.7m in 1975 to US$52m last year, attributed in part to a new profit-sharing scheme whereby the 1,000 staff members now hold 10 per cent of the company.

But perhaps the most remarkable achievement in DDL's turnround can be directly attributable to Mr Persaud's powers of persuasion. "The Government had talked a lot about divestment, so when we launched a 12m share rights issue last year, we asked them not to take up their share options."

The consequence has been that the Government's shareholding had dropped from well over 51 per cent to around 44 per cent today, with another rights issue pending.

Admittedly, DDL is hardly a *model that all state sector* companies can follow. It has the strong advantages of an export market – it is the largest rum producer worldwide after Bacardi – and almost purely local inputs.

Those that disparage Mr Persaud's achievement argue *that he has had an added* advantage in artificially low sugar prices. Others say, however, that his successful efforts to improve worker productivity through equity participation is the crucial lesson that the whole shipwrecked state-sector must learn to survive.

COMMODITIES AND AGRICULTURE

Copper losing out in coin market

By Kenneth Gooding, Mining Correspondent

THE USE of copper in coins in the non-Communist world has halved since the beginning of the 1980s and the metal is facing a new threat because its price has been relatively so high for the past two years, according to the Commodities Research Unit, the London-based consultancy organisation.

The CRU says the use of copper in coins reached a peak of more than 110,000 tonnes in 1981 but has fallen to 50,000 tonnes a year mainly because of a change to one coin – the US one cent piece.

Until 1983 the coin was 95 per cent copper and its production consumed between 35,000 and 40,000 tonnes of copper a year. In 1983 a new, cheaper coin of 97.5 per cent zinc with a copper plated coating was introduced, reducing the consumption of copper in the one cent coin to only 600 to 900 tonnes annually.

In its Copper Studies Monthly, the CRU says: "Copper prices which have prevailed over the last two years are forcing an increasing number of countries to look to new, cheaper coins.

"About a dozen countries already have replaced their traditional cupronickel and bronze coins with cheaper versions made of a stainless steel core then plated with nickel or copper."

The CRU adds: "As yet, none of the major copper consuming countries has announced plans to change to plated coins, but one, the UK, is planning to introduce smaller coins in place of the present ten and five pence pieces."

Copper Studies Monthly. £725 a year (12 copies) from the CRU, 31 Mount Pleasant, London WC1X 0AD.

Continuing rally pushes cocoa above £800 a tonne

By David Blackwell

COCOA PRICES rose strongly in London yesterday as the rally of the last few days continued.

The second position July contract on the London Futures and Options Exchange (Fox) rose by £41 to £820 a tonne. Since Tuesday last week, when prices closed at 13½-year lows, July has added £116 a tonne. At one stage yesterday the market was closed for 15 minutes after the July 1990 contract rose by the £40 a tonne limit.

The rally was triggered by rumours which surfaced in New York on Friday that Philipp Brothers, the big US trade house, had struck a deal for a large amount of cocoa with the Ivory Coast, the world's biggest producer.

Since then prices have climbed steadily as short positions in the market have been covered. "Everyone was short – the industry, the trade, commission houses and the funds," said Mr Tony Chadwick, analyst with Prudential Bache.

The rally was encouraged yesterday by reports of disease in the Bahia cocoa growing region of Brazil and dry weather in West Africa, particularly the Ivory Coast. Rainfall had been 30 to 40 per cent below normal this month, which could be serious if it continued, said Mr Chadwick.

Producing countries have not been selling into the rising market in any quantity. However, according to traders there has been no change in the fundamental market situation, with supply outstripping demand for the fifth successive year.

Bougainville delays threatened

By Chris Sherwell in Sydney

THE OPERATORS of Papua New Guinea's vast Bougainville copper mine are talking to customers about rescheduling deliveries following its indefinite closure last week as a result of continuing violence and sabotage.

CRA, the Australian resources group which owns 56 per cent of Bougainville Copper, estimated yesterday that it would take three weeks to resume production once the security situation was restored, and this was in turn impossible to predict.

"We've got contracts with half a dozen buyers, and we normally load about one ship a week on average," an official at the mine on Bougainville island said yesterday. "But currently we've got low stocks of copper concentrate at the port."

While it would be possible to catch up on deliveries if they were deferred for a month, "if it goes on for longer, we'd have to re-think," he said. Whatever happened, the loss of production now of Kina 1.3m (£930,000) a day would mean a loss of sales revenues later.

The latest developments coincide with an official visit to Australia by Mr Rabbie Namaliu, the Prime Minister. Speculation has inevitably intensified that Australia could become embroiled in Papua New Guinea's Bougainville problem because of the large number of Australian expatriates working at the mine.

The troubles spring from the extravagant demands made by a militant group of disaffected landowners for closure of the open-cut mine and some K10bn in compensation for damage done by its establishment and operation over the past 17 years.

Last December the mine suffered an eight-day shutdown, and then a second closure in April. The latest shutdown began on May 15 after two employees were wounded by arrows and their colleagues demanded safety guarantees before restarting work.

Over the past few days further attacks have been launched on employees. On Wednesday shots were fired at police guarding an emergency power generating facility. Yesterday the switch room at a water pump station caught fire. Two pylons supplying power to the mine site remain down.

These incidents have occurred despite the Government's announcement of a 15-day "truce", during which it stands ready to give immunity to the landowners' leader, Mr Francis Ona, while negotiations go ahead with the help of the Church.

The Government has also presented a comprehensive package under which landowners and the island's provincial government will receive a considerably increased financial return from the mine. Currently, governments, landowners and the company are earning nothing.

According to Bougainville Copper's statement yesterday, "Once work can begin on the power line, and assuming no further damage to facilities in the meantime, we estimate it will be approximately three weeks before power is restored and production can be resumed."

EC reforms 'will perpetuate problems'

By Bridget Bloom, Agriculture Correspondent

THE EUROPEAN Community's budget and production stabilisers, introduced in February last year as the main plank in the reform of the common agricultural policy, may temporarily solve the EC's budget problems but will not achieve a significant reduction in farm surpluses, a new Australian study concludes.

The Australian Bureau of Agricultural and Resource Economics, which has produced a number of critical studies of the CAP over the last few years, lists three major reasons for its conclusion.

Production levels at which price reductions for farmers are triggered on major commodities like cereals have been set too high. Mainly reflecting the status quo they will "perpetuate problems of surpluses and in turn subsidised exports."

Second, while the penalties on over-production may help check crop expansion, "they do little to address the basic price support system which is the fundamental cause of the production and budgetary crisis cycle."

Finally "numerous loopholes" exist which could reduce the effectiveness of the stabilisers over time. The report particularly notes the lack of a fully binding limit on farm spending.

The ABARE report notes that the stabiliser package is a "further departure by the Community from the principle of the unlimited price guarantee." But it concludes that "any assumption that the package is a once and for all scale back in assistance, or that genuine reform has been achieved in EC agriculture would be misleading."

The stabilisers are "fundamentally measures to restrain the budget cost. . . they address the effects of the support system without changing that system greatly, and do not necessarily lead to any significant improvement. . . in the world trading environment in the short to medium term."

● The European Commission has said a total of L100bn (£44m) Italy had given to two aluminium companies was illegal state aid and asked the Italian Government to recover the money, reports Reuter from Brussels.

It said Italy had given L70bn lire to Alumina and L30bn lire to Comsal without informing EC authorities, adding that the money broke limits laid down in 1986 on aid to Italy's aluminium industry.

The 1988 EC Budget and Production Stabilisers: ABARE, Canberra.

Chicago worries cloud Winnipeg's hopes

David Owen reports on the outlook for Canada's 102-year-old commodity exchange

THE TRADING floor of the Winnipeg Commodity Exchange seems a world away from Chicago's teeming, raucous futures pits.

Thirty or forty traders mill around for the most part in leisurely fashion, consulting monitors, discussing the weather and executing the occasional trade. Most are well-groomed and tidily dressed. Ties are knotted around necks rather than waists.

But Chicago is more than ever on the Winnipeg trading fraternity's mind at present. This follows the disclosure of the FBI's under-cover investigation into possible trading malpractice in the windy city.

Officials fear that the probe may have an adverse affect on business at Canada's only agricultural futures exchange and elsewhere.

"The FBI 'sting' operation will impact adversely on all markets – to some extent unfairly," says Mr Robert Purves, the Winnipeg exchange's president.

Specifically, there is concern that the investigation could heighten industry-wide pressure to implement a ban on dual trading – the practice whereby dealers are permitted to fill customer orders as well as trading for their own accounts.

Some also worry that further adverse publicity could encourage customers to give futures markets in general a wide berth.

"Because we are a small market, a dual trading ban would adversely affect our liquidity to the detriment of all participants," Mr Purves says. Privately, traders estimate that such a step would have the potential to reduce the exchange's turnover by as much as one-third.

Following significant systems improvements in recent years, Mr Purves – who was appointed last September – now feels "very comfortable" with the level of compliance at the WCE.

The improvements have not been achieved without a cost, however.

"This year the exchange was budgeted for a loss and it will end up with a loss," Mr Purves says. "We are just going to have to find the money," he adds. "If we are going to keep the doors open, we have to have adequate compliance."

In other respects, times are relatively good for the 102-year-old exchange. Overall volume in the seven months to February was up 16 per cent from year-earlier levels at 949,000 lots. Meanwhile, a new contract in western barley futures recently started trading.

In addition, the Mulroney Government in Ottawa has unveiled plans to permit an open market for oats for domestic and export consumption from August 1. In recent times, the Canadian Wheat Board has been the sole marketer of Canadian oats for export, confining the WCE to a domestic feed oats contract. In the first seven months oats turnover totalled less than 20,000 lots.

Winnipeg traders hold out particularly high hopes for the revitalised oats market, pointing out that as much oats is grown domestically as canola (oilseed rape), the commodity which accounts for approaching 50 per cent of the exchange's overall volume.

Others suspect that much of the business may migrate to the Chicago Board of Trade's established oats futures contract. "The marketplace will determine how it works out," Mr Purves predicts.

The exchange also intends in the short-term to introduce options in the space vacated by its now withdrawn gold and silver futures pit. "Logically, we would start with canola options", says Mr Purves, himself a former gold trader. "By the end of the calendar year, we will be a long way ahead in our planning."

Though the exchange has for the moment abandoned its unsuccessful attempts to diversify beyond oilseeds and grains, Mr Purves does not rule out the sanctioning of further efforts in due course.

"I think that we have had our run at financials," he concedes, "but there may well be other physical commodities."

Indian oil import needs expected to increase

By David Housego in New Delhi

INDIA'S DEPENDENCE on imported oil is expected to grow over the coming years in spite of a sharp increase in domestic production.

According to new government estimates, net imports will rise to between 31m and 33m tonnes (22m to 23m tonnes of crude and 9m to 10m tonnes of products) next year from a current level of 24.5m tonnes. This in itself is a sharp increase on the 21.7m tonnes imported last year and the 16m tonnes of net imports in 1986-87.

The estimates of a continuing rise in imports take account of domestic production rising from a current level of 34.5m tonnes to 47m to 50m tonnes by the middle of the 1990s. The anticipated rise in production reflects the accelerated pace of discoveries in the last year or two. Foreign companies are now being allowed to explore offshore.

But notwithstanding the increase in domestic production, the Government expects imports to rise because demand for petroleum products is growing at a rapid 7 to 8 per cent a year.

Official policy is that 85 per cent of domestic crude will be refined in India. Though the Government also says that refineries will remain in the public sector, the private sector could be allowed to participate because of the squeeze on public sector financial resources.

● Norway's crude oil and natural gas liquids production could rise to 1.8m barrels a day in the 1990-92 period, and could peak at a level of 2m barrels a day in 1996, according to report released today by County NatWest WoodMac, the Edinburgh-based energy consultant, writes Karen Fossli in Oslo.

'Too early' for drought relief, says Yeutter

IT IS too early to pass new legislation to help drought-stricken US farmers, Mr Clayton Yeutter, Agriculture Secretary, said, Reuter reports from Washington.

"I believe that enactment of drought relief legislation would be premature at this time," he said in a letter to Representative Dan Glickman (D-Kansas).

Mr Yeutter's letter arrived on Capitol Hill as the House Agriculture Committee began debating a measure to extend the benefits of last year's drought-aid Bill to 1989 producers.

Under the Bill, producers of programme and non-programme crops would be eligible for financial relief provided their crop losses exceeded 35 per cent this year.

Mr Yeutter said he would not recommend the President to sign a disaster assistance Bill unless it was "budget neutral".

Brazilian gold output rises 23 per cent

By John Barham in Sao Paulo

BRAZIL'S GOLD output increased to 103.3 tonnes last year, 23 per cent more than in 1988. Local demand for the metal has increased spectacularly as a hedge against worsening economic and political uncertainty.

Ourinvest, a Sao Paulo gold trading house, published the figures in an independent survey of the gold industry it released this week.

Mr Ricardo Eichenwald, a partner in Ourinvest, commented, however, that "last year was an exceptional year for gold in Brazil." And Mr Peter Rich, a consultant, said that the country's output had probably now reached its peak.

"Output will probably remain at about 90 to 100 tonnes a year into the next century," said Mr Rich, who surveyed the Brazilian market for Consolidated Gold Fields' annual report on the world gold market together with Ourinvest.

Output in five major Amazon gold-producing regions had begun declining, he said, but he added that the Amazon, which produces most of Brazil's gold, "always surprises us, sometimes for good, sometimes for ill."

Output at mechanised mines using advanced mining technology is rapidly increasing its share of national output at the expense of Amazon gold sites worked by independent prospectors. Last year, the mechanised mines produced 21 per cent of Brazil's gold, a two-thirds bigger share more than in 1987.

Brazilian mines had average production costs of $275 a troy ounce, similar to South African companies, Mr Rich said, adding that mines in both countries were well managed, used cheap labour and operated deep mines. Gencor and Anglo American, of South Africa, both operate mines in Brazil.

The sudden increase in output from mechanised mines and new tax regulations introduced late last year are likely to reduce the volume of gold circulating on the underground economy. The Government reported official gold production at only 56 tonnes last year, but many prospectors sell their gold outside official markets.

Most domestic demand for gold came from the financial sector, which was desperate for a dependable hedge against inflation and political uncertainty. In 1988, domestic markets traded 400 tonnes of gold, 50 per cent more than in 1987. Demand in the first five months of this year may already have exceeded all last year's volumes.

WORLD COMMODITIES PRICES

LONDON MARKETS

GOLD prices were boosted by the easing of the dollar after European central bank selling, but below the $365 an ounce resistance area. Platinum moved back above $500 an ounce following firmer prices in New York. On the LME nickel in the afternoon moved out of its earlier narrow range. Dealers said general buying and shortcovering lifted prices with nickel, like some other metals, having become oversold earlier this week. Some of the buying may also have been on producer account, they added. Both aluminium and zinc moved up on shortcovering. Coffee prices were firmer in sympathy with New York. Dealers noted that the meeting in Florida yesterday of key coffee producers had created a more optimistic mood about the future of the international coffee agreement.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.40-5.55v	+.105
Brent Blend	$18.05-8.20q	-0.10
W.T.I. (1 pm est)	$19.65-9.74v	+0.05
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$241-244	+3
Gas Oil	$148-149	+1
Heavy Fuel Oil	$92-94	+2
Naphtha	$181-183	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$364.25	+1.25
Silver (per troy oz)♣	527c	-3
Platinum (per troy oz)	$494.25	+10.2
Palladium (per troy oz)	$147.85	+2.60
Aluminium (free market)	$2115	+60
Copper (US Producer)	117½-119c	
Lead (US Producer)	36.5c	
Nickel (free market)	575c	+10
Tin (European free market)	£9925.0	-197.5
Tin (Kuala Lumpur market)	26.9r	-0.4
Tin (New York)	459.5c	-6
Zinc (US Prime Western)	83½c	
Cattle (live weight)†	118.56p	-2.55*
Sheep (dead weight)†	222.50p	-45.38*
Pigs (live weight)†	83.80p	-4.84*
London daily sugar (raw)	$282.5u	-4.5
London daily sugar (white)	$346.0u	-4.5
Tate and Lyle export price	£290.5	-4.5
Barley (English feed)	£104.5w	
Maize (US No. 3 yellow)	£132.0	-0.5
Wheat (US Dark Northern)	£129.75u	+0.50
Rubber (spot)♥	55.5p	+0.5
Rubber (Jul)♥	62.5p	
Rubber (Aug)♥	62.50	
Rubber (KL RSS No 1 Jun)	260.5m	-0.5
Coconut oil (Philippines)§	$590u	
Palm Oil (Malaysian)§	$420	+5
Copra (Philippines)§	$370	
Soyabeans (US)	£137.5	+1.5
Cotton "A" index	77.95c	+0.35
Wooltops (64s Super)	610p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Jul. u-Jun/Jul. q-Jun. x-Jun/Sep. w-Aug. z-May/Jun. †Meat Commission average fatstock prices. *change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
May	815	766	808 785
Jul	820	779	824 780
Sep	835	800	840 803
Dec	877	844	880 849
Mar	870	835	874 841
May	874	835	880 842
Jul	885	848	885 852

Turnover: 10439 (7974) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for May 25 891.47 (874.76) :10 day average for May 26 846.05 (839.07)

COFFEE £/tonne

	Close	Previous	High/Low
May	1219	1210	1224 1180
Jly	1209	1200	1215 1183
Sep	1168	1164	1171 1151
Nov	1140	1142	1144 1130
Jan	1140	1143	1137 1130
Mar	1143	1150	1135
May	1145	1152	1135

Turnover: 2310 (4129) lots of 5 tonnes
ICO indicator prices (US cents per pound) for May 24: Comp. daily 116.02 (116.83) . 15 day average 116.10 (116.02)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Aug	250.40	249.40	253.60 248.60
Oct	250.40	248.40	253.60 247.00
Dec	249.60	248.00	246.00
Mar	244.20	242.00	245.40 242.80
May	243.60	240.60	243.60 242.00
White			
Aug	340.00	337.00	342.00 337.00
Oct	320.00	316.00	321.00 317.50
Dec	315.00	314.00	
Mar	301.50	299.00	303.00 301.00
May	300.50	299.00	300.00

Turnover: Raw 3173 (6244) lots of 50 tonnes. White 966 (1523).
Paris- White (FFr per tonne): Aug 2280 Oct 2155, Dec 2095, Mar 2030, May 2015 Aug 2005.

CRUDE OIL $/barrel

	Close	Previous	High/Low
Jul	17.67	17.45	17.75 17.42
Aug	17.35	17.00	17.41 17.12
IPE Index	17.39	17.10	

Turnover: 9018 (4933)

GAS OIL $/tonne

	Close	Previous	High/Low
Jun	145.25	144.25	146.00 144.25
Jul	143.75	142.50	144.50 142.50
Aug	143.75	142.50	144.50 142.75
Sep	144.50	144.00	144.50 143.50
Oct	146.00	145.00	146.50 145.00
Nov	147.25	149.00	148.00
Dec	147.00	147.50	146.50

Turnover 6846 (5209) lots of 100 tonnes

FRUIT AND VEGETABLES

New arrivals this week include French and Spanish apricots 80-90p a lb and Spanish nectarines 20-30p each, reports FFVIB. French and Turkish cherries are £1.00-1.60 a lb (£1.50-2.00) and French strawberries 60-80p a ½ lb (70-80p). Homegrown new potatoes are 30-40p a lb; Cyprus new crop 20-26p (25-30p). English Asparagus is £1.10-1.60, courgettes 45-70p, cauliflowers 30-50p each, and button mushrooms 50-75p a ½ lb. Dutch, English, Jersey and Guernsey tomatoes are 50-80p a lb. Dutch boot 85p-£1.00 and cherry £1.00-1.50. Cucumbers are 40-75p each, celery 45-80p a head and watercress 30-40p a bunch.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 16,575 tonne
Cash	2165-75	2060-70		2115-7		
3 months	2015-7	1970-5	2020/1985	1995-2000	2016-8	35,120 lots
Copper, Grade A (£ per tonne)						Ring turnover 22,650 tonne
Cash	1614-6	1609-11	1618	1617-8		
3 months	1629-9	1626-7	1633/1619	1630-1	1630-1	74,946 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	521-4	511-4		516-8		
3 months	527-30	517-20		522-4		274 lots
Lead (£ per tonne)						Ring turnover 3,125 tonne
Cash	414-5	411-3	418/416	416-8		
3 months	402-2.5	399-9.5	403.5/402	403.5-4	400-1	10,601 lots
Nickel ($ per tonne)						Ring turnover 1,062 tonne
Cash	12550-3050	12400-500	12500	12450-500		
3 months	12600-50	12100-50	12750/12000	12075-100	12400-500	7,671 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 10,550 tonne
Cash	1770-80	1740-50	1790/1780	1775-80		
3 months	1655-60	1635-40	1670/1660	1660-3	1658-60	11,107 lots
Zinc ($ per tonne)						Ring turnover 8,275 tonne
Cash	1635-35	1610-20	1635	1635-8		
3 months	1575-80	1560-5	1585/1555	1585-90	1575-80	10,559 lots

POTATOES £/tonne

	Close	Previous	High/Low
Nov	100.0	101.0	99.0 98.0
Feb	115.0	114.0	
Apr	176.2	183.7	180.5 173.0

Turnover 465 (649) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Jun	152.00	154.50	151.00
Aug	148.50	149.80	148.50
Oct	148.50	149.00	148.50 147.50

Turnover 653 (261) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
May	1670	1680	1680 1670
Jun	1480	1474	1480 1455
Jul	1384	1385	1384 1350
Oct	1470	1461	1470 1440
Jan	1485	1480	1490 1470
Apr	1515	1520	1510 1502
BFI	1662	1712	

Turnover 1011 (497)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jun	112.75	113.25	113.50 112.45
Sep	104.95	105.05	104.90 104.85
Nov	107.20	107.20	107.20 107.00
Jan	110.20	109.65	110.20 110.10
Mar	113.20	113.30	113.10
May	115.35	115.35	
Barley	**Close**	**Previous**	**High/Low**
Sep	103.30	103.20	103.30 103.20
Nov	106.20	106.10	106.20
Jan	109.10	109.00	109.10
Mar	111.65	111.55	
May	113.35	113.35	113.35

Turnover: Wheat 164 (145). Barley 31 (112).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	109.5	110.5	
Aug	108.5	109.0	
Oct	112.5	112.0	

Turnover 0 (50) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	364-364½	230-230½
Opening	363½-364	230½-231
Morning fix	363.3	230.374
Afternoon fix	363.6	230.345
Day's high	364¼-364¾	
Day's low	362¾-363¼	

Coins	$ price	£ equivalent
Mapleleaf	375-378	237-240
Britannia	375-378	237-240
US Eagle	375-378	237-240
Angel	372-377	
Krugerrand	363-366	229½-231½
New Sov.	85½-86½	54-54¾
Old Sov.	85½-86½	54-54¾
Noble Plat	486.45-504.4	314.8-318.85

Silver fix	p/fine oz	US cts equiv
Spot	330.85	521.10
3 months	342.40	533.75
6 months	354.30	546.65
12 months	378.75	571.80

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
2000	164	105	43	110
2100	106	67	83	169
2200	62	40	139	239
Copper (Grade A)	**Calls**		**Puts**	
2400	187	206	28	65
2500	120	148	60	105
2600	71	103	109	156

US MARKETS

IN THE METALS, prices advanced in all markets, reports Drexel Burnham Lambert. Gold and silver rallied from commission house activity. Technical buying from an oversold market and news of new car emission standards rallied the platinum futures. In the softs, commission house short covering kept cocoa prices firm. Sideways tradings was featured in the sugar market. Coffee prices were higher from price-fix buying. The grain markets were all slow. The energy complex was mixed with some early profit taking ahead of the long weekend featured. Technical sell stops added weakness later on. The livestocks were lower again as carryover selling sank prices. July pork bellies fell 93 posting the days biggest decline.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	367.0	364.5	0	0
Jun	367.2	364.7	367.9	365.2
Jul	368.7	366.3	0	0
Aug	370.1	367.4	371.0	367.8
Oct	374.0	371.1	374.2	372.5
Dec	377.8	374.8	378.0	375.5
Feb	381.6	378.5	0	0
Apr	385.7	382.4	0	0
Jun	389.7	386.3	390.5	388.7

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	503.1	498.9	508.0	499.0
Oct	503.6	499.7	508.0	498.5
Jan	507.0	491.7	511.0	499.0
Apr	510.0	495.2	510.0	503.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	525.7	517.8	526.0	522.8
Jun	528.5	518.1	0	0
Jul	531.6	522.2	535.0	525.5
Sep	538.1	528.5	541.5	530.5
Dec	546.7	537.9	549.5	541.5
Jan	550.2	544.7	546.5	547.5
Mar	557.4	548.5	0	0
May	564.6	557.1	567.5	563.0
Jul	574.8	565.8	573.5	571.5
Sep	583.5	574.7	580.0	580.0
Dec	592.5	583.7	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	109.10	108.60	111.50	108.80
Jun	109.30	108.30	0	0
Jul	110.30	110.00	112.60	110.00
Sep	109.20	109.20	111.30	109.00
Dec	106.10	105.10	108.90	105.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jul	18.64	18.66	18.74	18.40
Aug	18.33	18.75	18.95	18.60
Sep	18.16	18.28	18.35	18.18
Oct	18.16	18.05	18.25	17.98
Nov	17.73	17.80	17.80	17.80
Dec	17.82	17.64	17.85	17.45
Jan	17.69	17.52	17.71	17.60
Feb	17.48	17.32	17.48	17.45
Mar	17.42	17.22	17.42	17.35

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	5010	4961	5050	4925
Jul	4930	4770	4960	4755
Aug	4930	4805	4960	4790
Sep	4955	4825	4985	4840
Oct	5005	4895	5030	4920
Nov	5100	5000	5120	5040
Dec	5190	5090	5190	5100
Jan	5250	5154	5260	5160
Feb	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	1289	1265	1298	1251
Sep	1277	1221	1285	1243
Dec	1285	1263	1285	1264
Mar	1298	1255	1295	1264
May	1285	1244	1285	1244
Jul	1273	1240	1277	1260
Sep	1265	1220	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	134.21	132.30	135.40	132.60
Sep	128.78	126.74	129.90	127.00
Dec	125.83	123.98	125.85	124.50
Mar	123.97	122.32	124.00	122.55
May	122.75	122.00	122.75	123.00
Jul	121.20	120.70	121.20	120.70
Sep	122.00	118.73	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	11.16	11.20	11.36	11.14
Oct	11.21	11.05	11.28	11.12
Jan	11.16	11.00	0	0
Mar	10.96	10.88	11.03	10.84
May	10.91	10.70	10.92	10.84
Jul	10.87	10.85	11.05	10.86
Oct	10.76	10.76	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	67.16	67.50	67.45	66.96
Oct	66.80	66.58	66.50	65.80
Dec	66.00	65.82	66.50	65.87
Mar	66.75	66.75	67.25	66.65
May	70.05	69.60	70.00	69.45
Jul	70.05	69.60	70.10	69.73
Oct	66.00	66.77	66.40	66.00

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	184.00	183.35	184.65	181.75
Sep	176.65	178.40	179.25	177.10
Nov	167.45	167.30	168.00	167.50
Jan	163.05	164.10	164.00	162.50
Mar	163.25	163.60	163.00	162.50
May	162.75	162.80	0	0
Jul	162.75	162.80	0	0
Sep	162.75	162.80	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

May 24	May 23	mnth ago	yr ago
2010.9	2011.7	2023.5	1808.9

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	133.58	134.09	137.73	134.18
Futures	132.16	132.77	136.80	136.81

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	701/4	697/2	702/0	696/0
Aug	688/4	685/0	689/4	686/0
Sep	660/2	659/4	665/4	659/4
Nov	647/4	647/4	657/0	646/0
Jan	657/6	656/4	664/0	657/0
Mar	665/4	665/4	675/0	665/0
May	673/4	671/4	681/4	671/4
Jul	673/4	671/4	680/4	673/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	21.81	21.66	21.85	21.66
Aug	22.04	21.88	22.09	21.88
Sep	22.25	22.09	22.28	22.15
Oct	22.40	22.20	22.50	22.30
Dec	22.75	22.55	22.85	22.68
Jan	22.80	22.70	23.00	22.85
Mar	23.15	23.15	23.00	23.36
May	23.62	23.15	23.60	23.55

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	206.0	206.2	208.2	207.1
Aug	204.5	203.9	205.8	204.2
Sep	199.5	198.7	201.2	199.0
Oct	193.2	192.7	195.0	193.0
Dec	191.4	190.8	193.0	191.0
Jan	190.5	191.7	194.0	191.0
Mar	190.0	191.5	194.0	190.0
May	189.5	190.0	191.0	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	264/6	262/0	265/2	261/0
Sep	248/2	249/6	249/0	246/6
Dec	245/0	236/6	245/4	241/2
Mar	248/4	247/0	251/0	248/0
May	253/4	252/0	256/0	252/4
Jul	255/0	254/4	258/0	253/0
Sep	245/0	245/0	246/0	245/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	398/0	398/6	402/0	395/0
Sep	402/4	405/6	409/0	402/0
Dec	415/4	419/2	421/4	415/4
Mar	421/0	422/4	428/6	420/0
May	410/0	408/0	413/0	407/0
Jul	372/0	378/0	375/0	372/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	69.20	69.67	69.80	69.12
Aug	66.72	66.62	66.87	66.60
Oct	66.82	67.35	67.35	66.75
Dec	68.95	68.85	69.15	68.75
Feb	69.27	69.55	69.55	69.17
Apr	70.75	70.72	70.95	70.50
Jun	71.15	71.15	71.15	71.15
Aug	71.00	71.00	71.00	71.00

LIVE HOGS 30,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	48.20	48.45	48.65	48.10
Jul	48.15	48.95	48.90	48.10
Aug	46.22	46.77	46.80	46.10
Oct	42.77	43.10	43.37	42.65
Dec	43.77	44.00	44.05	43.70
Feb	45.15	45.20	45.65	45.15
Apr	44.17	44.25	44.45	44.05
Jun	47.52	47.47	47.55	47.45

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	32.17	33.10	33.50	32.00
Aug	32.12	33.05	33.30	32.05
Feb	49.60	50.40	50.60	49.40
Mar	49.07	49.90	50.15	49.05
May	48.52	47.70	[illegible]	[illegible]
Jul	51.50	51.50	0	0
Aug	48.50	48.60		

LONDON STOCK EXCHANGE

Equities subdued by UK trade deficit

AN UNIMPRESSIVE performance from sterling following the announcement of UK trade figures for April put paid to an attempt by the London equity market to recover from the shocks suffered in the previous trading session. With the feared increase in UK interest rates now a matter of fact, attention switched back to the prospects for rate increases in Japan or in Europe.

Equities moved erratically in early trading but gained confidence as the trade figures deadline approached and in the absence of any new developments on the global interest rate front. Share gains were extended on the disclosure of a

Account Dealing Dates

*First Dealings:	May 8	May 22	Jun 5
Option Declarations:	May 18	Jun 1	Jun 15
Last Dealings:	May 19	Jun 2	Jun 16
Account Day:	May 30	Jun 12	Jun 26

*New time dealings may take place from 9.00 am two business days earlier.

UK trade deficit of £1.6bn on current account in April, but support melted away as the pound slipped back towards overnight levels. Equities also struggled to hold their gains.

At the close of the market, the FT-SE Index was just 3.9 higher at 2,136.6, helped very slightly by a steady opening on Wall Street. Turnover at 482.6m shares compared favourably with Wednesday's 468.8m.

The April trade deficit – the fourth worst monthly figure on record – was grudgingly welcomed in the equity market only because it was in line with the market's concensus forecast; the more pessimistic analysts had feared a deficit number closer to £2bn.

But following closer examination, equity analysts found little reason for comfort in the trade data. "The pound remains the key to the next base rate move," commented Mr John Reynolds at Prudential Bache. "We are still delicately poised".

The equity market remained very nervous ahead of the next round of data on domestic inflation and from wage pressures, and it is braced for disappointing news on both fronts in the near term. Any move above 14 per cent base rates will be seen as severely damaging for industry's prospects. "The question is, how long will rates stay at 14 per cent?" said Mr Reynolds.

The cautious mood of yesterday's market masked some selective demand from the US, which showed itself in the oil,energy, electronics and pharmaceuticals sectors. Beecham shares eased as Wednesday's statement strengthened the market's view that the SmithKline Beckman merger will be consummated on schedule.

Nagging away at the market's battered self-confidence was the awareness that most securities firms are still finding it virtually impossible to make profits. Credit Suisse Buckmaster & Moore yesterday withdrew from equity market making in London. The Buckmaster name was a star of the old pre-Big Bang market, and hints of trading problems continue to swirl around a number of equally well-known names in today's electronic trading arena.

Glaxo weak on US data

Glaxo weakened sharply for the second day running. It bottomed at 1370p before recovering by the close to 1375p, a fall of 20 on the day and 58 over the two sessions. There were vague stories that four drugs currently in clinical trials had hit snags.

But most dealers identified the main cause of the decline to information from the BZW pharmaceutical team of Mr Steve Plag and Mr Jonathan de Pass. Earlier in the week they rubbished stories that the company would make £1bn in profits this year; yesterday they revealed industry data from the US which suggested a first quarter slowdown of growth in the number of prescriptions issued for anti-ulcer drugs.

Glaxo's Zantac is the most successful of such medicines and the company's biggest earner. The statistics also affected Beecham, down 6 at 628 after 625p, and set to merge with SmithKline Beckman (SKB) of the US which sells the number two drug in the sector, Tagamet.

However, BZW's Mr Plag himself downplayed the significance of the figures. "It is far too early to change our long term projections for Zantac and the slowdown cannot yet be interpreted as a trend," he said. Sales were seasonal, he added, and subject to other factors like the issuing of longer running prescriptions.

The view was echoed by Nomura, which also pointed out that recent price rises in the US should counter the slowdown in growth and that the task of merging Beecham and SKB could blunt Tagamet's competitive thrust over the next few months.

Gas pressured

A sustained bout of weakness in British Gas was said by dealers and oil sector specialists to have been caused by a big line of stock on offer from one of the top US houses, with Salomon Brothers mentioned as a persistent seller of the shares. There were also stories of switching out of British Gas and into Shell as well as talk of profits downgradings.

Turnover in British Gas came out at 15m, just about the market's biggest individual turnover, as the share price wilted to close 4 off at 175p.

However, analysts held divided views. Some took the view that to sell Gas shares ahead of the preliminary figures due on June 8 was wrong in the current state of the UK equity market. "Conceivably an institution could be taking a view on the market, but I think this could be an opportunity to pick up some cheap stock," said one analyst. Another said that the preliminary results would be irrelevant; "the dividend is the crucial thing, and here you are looking at a yield of some 7 per cent. The shares are a must for any income fund."

Shell Transport shares mirrored the market talk of switching, and moved 7½ higher to 407p on turnover of 4.7m, well up on recent levels.

Lasmo outperform

Lasmo, the oil exploration and production group, performed extremely well after yet more oil exploration success, this time in Indonesia, and also on the back of some strong buying from Citicorp Scrimgeour Vickers, the US securities house.

The Lasmo share price outperformed most of the other oil groups, settling a net 4 higher at 461p, having touched 470p at one point early in the session; turnover reached 2.8m shares.

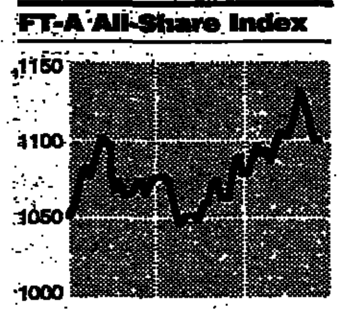
Citicorp's buying interest became apparent late on Wednesday and continued throughout yesterday. The firm's oil analyst Mr Philip Morgan bases his recommendation on what he describes as an exciting third quarter drilling programme which includes some of the group's best prospects.

The company has net cash of some £100m says Mr Morgan, and is "extremely well geared to any good news from Italy, Pakistan or Syria in the next few months; news from several key wells is imminent and it is inevitable that the shares will attract growing attention over the next month or two."

He was enthusiastic about Lasmo's latest Indonesian success, which he says has a "surprisingly large oil flow rate," and pinpoints impending success in two of its UK North Sea wells, acquired via the purchase from International Thomson, the East Piper 15/17-21 and West Claymore 4/17-23, where Lasmo has 20 per cent stakes.

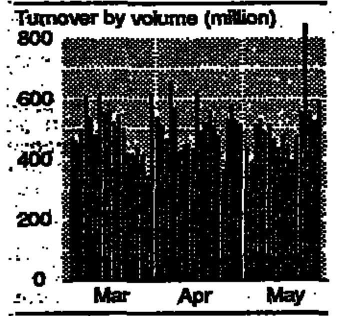
Enterprise Oil dropped 14 to 546p after announcing the second call on the stock issued to finance its purchase of Texas Eastern assets would be 225p a share to raise £292m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Today sees the debut of Hardy Oil & Gas, the oil and gas spin-off of Trafalgar House whose shareholders received Hardy stock on the basis of one Hardy for every 10 Trafalgar.

Insurance broker AJ Archer improved 9 to 147p after unveiling interim profits up from £144,000 to £282,000.

Among sluggish brewers Wolverhampton & Dudley gained 8 at 421p in the wake of a 17 per cent rise in halfway profits to £13m, and Whitbread "A" added 2 at 347p after the company announced the £21m acquisition of an Australian restaurant chain and the signing of a franchise to open 400 Pizza Huts in Northern Europe.

Grand Metropolitan rose 5 to 554p following a successful presentation to investing institutions in Switzerland, while Trusthouse Forte staged a late rally to close 9½ better at 315½p on turnover of 3.6m shares; there were whispers just as the market closed that a dawn raid would be launched on THF shares this morning.

The builders included to exceptional performers in RMC, up 17 at 790p and Steetley, up 12 at 482p; both companies are highlighted as "low risk" by the building team at BZW.

Westbury jumped 8 to 248p after revealing preliminary profits up some 120 per cent – "just about the best of a pretty shaky bunch" said one analyst talking of the housebuilders.

Coalite added 6 at 445p with turnover approaching 6m shares, as the market seemingly prepared itself for any counters to the Anglo United 425p a share offer.

Hickson International moved ahead late to close 10½ higher at 264p amid vague takeover speculation.

Ward White firmed noticeably among quietly traded Stores. Shares in the retail and diy group gained 11 at 288p on press stories of a bid, either from a consortium or from retail giant Kingfisher (up 3 at 301p). A more plausible explanation for the rise was the presence of a large short position in the market.

Hopes of a takeover once again sustained Dixons, which recovered from early weakness on worries about satellite dish sales to close 2 firmer at 147p amid good buying of call contracts on the traded options market.

Paper and packaging group David S Smith shed 5 at 299p after announcing two acquisitions, worth a total of £6.25m, and the disposal of most of its 50 per cent stake in Focus, a magazine and exhibitions group.

British Telecom were unsettled and retreated 2½ to 268p on turnover of 5m as Mr Jack Summerscale and Robert Millington at BZW repeated the securities house's bearish view of the shares. "The partial recovery in the share price encourages us to reiterate our cautious stance and recommend sales; we do not believe they discount the uninspiring short to medium term earnings outlook," the BZW team said. Telecom's preliminary figures are scheduled for Thursday, with BZW forecasting pre-tax profits of £2.5bn against £2.3bn.

Cable & Wireless were again affected by the political unrest in China and the Far East and the shares slipped 6 to 538p on turnover of 3.2m. The Racal pair, Telecom and Electronics, responded to renewed US demand which boosted the latter 12 to 492p (on 7.4m turnover) and the former 6 to 446p.

STC extended their recent outstanding performance, advancing 7 more to 372p on confirmation of the contract to supply optical and copper cables to BT, worth an initial £48m.

AB Electronics raced up 16 to 379p as the market reacted to a comprehensive review of the UK electronic component manufacturing industry, issued by Rob Collins at Kleinwort Benson, which labelled AB as a strong buy.

Jaguar continued to advanced in good volume of 2.6m shares on the back of a firm dollar. The stock closed 7 better at 326p.

A late round of bid rumours in the food manufacturers helped a number of stocks close ahead; Dalgety rose 6 to 374p (Mr Robert Holmes à Court has a stake), Ranks Hovis McDougall firmed 9 at 454p (Sunningdale owns 29.9 per cent), and Unigate added 5 at 374p (Mr Larry Goodman of Ireland is a sizeable shareholder). There was also good interest in United Biscuits, which closed 3 firmer at 332p.

Sentiment in British Aerospace was boosted by the £150m valuation of its stake in Daf, the Dutch commercial vehicle maker. Dealers said that interest was also sparked by stories that the company had progressed in its plan to develop the former Royal Ordnance site at Enfield, in London's outer suburbs. The shares climbed 27 to 672p.

Nash Industries leapt 50 to 203p on news of a placing of 27 per cent of the company at 185p a share and key board changes. "Everyone naturally thinks something is about to be taken over," said a dealer.

Eurotunnel's British AGM did not alter the steady pace of the rise in price, which closed 18 better at 1034p. The agm in France, where most of the buying has originated, is today.

The market changed its mind on Carlton Communications' agreed offer for UEI. At one point the stock had recovered all of the previous days' 41 decline, helped by US demand. But by the close it settled back to 838p, a net rise of 30. Ms Bronwen Maddox at Kleinwort Benson upgraded Carlton from a "take profits" recommendation to a "trading buy."

"We expect the shares to perform well," she said, "although there are concerns over the long term growth of the market and the difficulty in measuring the company's underlying position."

Thames Television pleased with full-year profits of £31m and a near 30 per cent improvement in share earnings. The shares climbed 13 to 484p. Analysts argued that charges for redundancies at Thames and accounting mean that this year's base profits figure should be regarded as £35m. Ms Jane Ascombe, at BZW, upgraded her forecast for the current year from £34m to £37m while Ms Maddox of Kleinwort Benson is predicting a figure of £39m. Both agree that the sector has deep uncertainties.

Property group Mountleigh closed 9 better at 159p on the news that Mr Tony Clegg, the company's chairman, has obtained through a family company an option to buy a further 7.6 per cent of Mountleigh's equity. Mr Clegg already has 14.1 per cent of the group. There was also talk yesterday that the company had attempted to buy-in 6.5m shares.

Imry Merchant added 7 at 458p; the developer is due to announce within a week its scheme to preserve the remains of the Shakespearean Rose Theatre, uncovered at one of Imry's riverside sites in London. The shares have been weak in recent weeks on concern over how much the Rose Theatre scheme will cost Imry.

Hopes that Arlington Securities, the specialists in out-of-town business parks, will partner British Aerospace in the development of BA's Royal Ordnance Factory site in North London helped the property group's shares climb 14 to 234p.

Newcomer Community Hospitals enjoyed a satisfactory debut on the market; the shares, issued at 180p, ended the day on 206p.

Courtaulds followed up Wednesday's well-received figures with another strong performance, the shares climbing 7 to 342p on turnover of 3.6m. Analysts believe that the City has woken up to the benefits of the company's restructuring.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 27

FINANCIAL TIMES STOCK INDICES

	May 25	May 24	May 23	May 22	May 19	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.06	85.96	86.12	86.42	86.70	90.07	89.29 (8/2)	85.84 (13/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.87	96.89	97.33	97.30	97.31	98.67	99.59 (15/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1777.3	1774.0	1787.4	1803.6	1837.5	1430.7	1837.5 (19/5)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	170.4	168.1	168.6	166.3	168.8	216.9	196.1 (28/3)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Di. Yield	4.47	4.46	4.41	4.37	4.29	4.63				
Earning Yld %(full)	10.83	10.81	10.72	10.63	10.44	11.92				
P/E Ratio(Net)(☆)	11.19	11.20	11.25	11.35	11.55	10.28				
SEAQ Bargains(5pm)	24,160	26,230	27,098	34,610	43,470	25,127				
Equity Turnover(£m)†	-	1538.77	1483.87	1547.51	2165.12	1136.41				
Equity Bargains†	-	28,886	36,018	35,711	47,419	25,250				
Shares Traded (ml)†	-	599.3	519.5	554.6	849.5	368.9				

Ordinary Share Index, Hourly changes

●Opening	●10 a.m.	●11 a.m.	●12 p.m.	●1 p.m.	●2 p.m.	●3 p.m.	●4 p.m.
1776.5	1770.3	1774.8	1780.3	1775.2	1775.6	1772.9	1773.7

DAY'S HIGH 1782.0 DAY'S LOW 1769.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. ☆Nil 11.09 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	May 24	May 23
Gilt Edged Bargains	130.3	108.0
Equity Bargains	187.2	233.4
Equity Value	3110.3	2999.3
5-Day average		
Gilt Edged Bargains	107.5	103.6
Equity Bargains	237.5	240.8
Equity Value	3350.1	3270.5

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,700	169	+1	Cookson	301	334	-½	Laporte	103	452		Royal Bk of Scotland	329	382	-2
Allied-Lyons	1,700	447	+5	Courtaulds	3,600	343	+7	Legal & General	218	311	-1	Royal Insurance	580	403	
Amstrad	868	101		Dalgety	196	374	+6	Lloyds Bank	520	343	-3	STC	2,000	372	+7
Argyll Group	2,400	201	+2	Dixons	2,800	147	+2	LASMO	2,700	461	+4	Saatchi & Saatchi	709	326	-1
Ass. Brit. Foods	1,000	351	+1	Eng. China Clays	382	486	+2	Lonrho	925	274	-1	Sainsbury	1,100	239½	+1½
BAA	1,100	353½	+8½	Enterprise Oil	617	546	-14	Lucas	949	620	-10	Scott & Newcastle	291	305	
BAT Inds.	1,700	544	-1	FKI Babcock	1,000	162	-1	MB Group	3,900	206	+2	Sears	1,400	118	+1
BET	208	271	-2	Fisons	1,100	308	+3	MEPC	524	581	-5	Shell Transport	3,400	407	+7½
BICC	168	509	+5	Gateway Corp.	2,400	197	+½	Marks & Spencer	2,200	183½		Siebe	591	511	+13
BOC	214	487	+1	General Accident	61	968	+3	Maxwell Comm.	56	196		Slough Ests	49	309	-2
BPB Inds.	253	240	+4	General Elect.	4,100	243	+3	Midland Bank	2,200	358		Smith & Nephew	421	134	-½
BTR	1,400	377	-2	Glaxo	1,500	1375	-20	Nat. West. Bank	1,100	600	-5	Smiths Industries	1,550	311	-1
Barclays	1,900	457	-4	Globe Inv.	252	176½		Next	1,200	147	-1	Standard Chartered	366	528	-5
Bass	1,200	961	+8	Glynwed Int.	247	383	-2	Northern Foods	40	309	+4	Storehouse	445	177	-1
Beecham	2,000	628	-6	Granada	1,000	347	+1	Pearl	933	400		Sun Alliance	258	1104	-9
Blue Circle	1,080	582	-1	Grand Met.	2,200	554	+5	Pearson	88	715	-1	T&N	7	223	+1
Boots	2,100	295	+2	GUS A	121	1042	+2	P & O	266	668	-5	TSB	1,300	106	+1
Brit. & Comm.	369	196	-2	GRE	170	206	-2	Pilkington	475	242		Tarmac	3,300	335	+1
Brit. Aerospace	3,600	672	+27	GKN	1,400	395	+4	Plessey	860	267	+1	Tate & Lyle	548	262	+7
British Airways	567	201	+1	Guinness	1,100	484	+5	Polly Peck Intl.	1,100	290	-1	Taylor Woodrow	310	648	+10
British Gas	11,000	175	-4	Hammerson 'A'	117	784	-2	Prudential	2,600	180	+4	Tesco	3,800	177	+3
British Land	714	365	-1	Hanson	3,800	201	+2	RHM	1,900	454	+9	THORN EMI	1,800	699	-1
BP	1,600	287	+1	Harrisons & Cros.	360	174	-1	RMC	504	790	+17	Trafalgar House	469	384½	-½
British Steel	4,500	98¼	+½	Hawker Siddeley	473	703	-9	RTZ	1,900	499	+6	Trusthouse Forte	1,700	315½	+9½
British Telecom	2,600	268	-2½	Hillsdown Hldgs.	1,100	265½	+2½	Racal	3,800	492	+12	Ultramar	3,700	385	
Burmah Oil	298	589	-2	IMI	968	234	-1	Rank Org	406	979		Unilever	307	554	+5
Burton	369	225		Imp. Chem.	852	1273	-8	Reckitt & Colman	147	1153	-7	United Biscuits	1,600	332	+3
Cable & Wireless	2,500	538	-6	Inchcape	658	283	+4	Redland	696	598	+3	Utd Newspapers	781	437	+6
Cadbury Schweppes	1,200	352	+1	Jaguar	2,600	326	+7	Reed International	2,800	388	-1	Wellcome	230	456	-1
Carlton Comms.	1,000	838	+30	Kingfisher	467	301	+3	Reuters	592	802	+2	Whitbread 'A'	154	347	+2
Commercial Union	627	373	-2	Ladbroke	1,100	598½	+1	Rolls Royce	3,600	190½	+2½	Williams Hldgs.	411	261	+1
Cons. Gold Fields	164	1224		Land Securities	1,600	579	-1	Rothmans	223	539	+2	Wimpey	269	277	

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (95).

AMERICANS (9) CANADIANS (2) BANKS (1) Reflex Invs., BUILDINGS (3) Hickson Int'l., Lafarge Coppee, Smart (J.). CHEMICALS (6) Astra, BASF AG, Coalite Grp., Hoechst AG, Leigh Ints. 5pc Cv. Pf., Schering AG, STORES (1) Dunhill Hldgs., ELECTRICALS (8) ASEA AB "A", Blick, Bowthorpe, Goring Kerr, Misys, TDK, UEI, VG Instrs., ENGINEERING (6) BM Grp., Castings, Chamberlin & Hill, Cohen (A.), SKF AB, TACE, INDUSTRIALS (19) Alfa-Laval AB "B", Bardon, Bespak, Cape Inds., Carbo, Dover Corp., Erskine House, Esselte, Eurotunnel Units, Do. Wrrnts., Expamet Int'l., Fitzwilton, Hunting Assoc., Johnston Grp., Nash Inds., Nu-Swift, Oy Wartsila AB, Toye, WSP, LEISURE (1) GWR Grp., PAPERS (4) Clondalkin Grp., Geers Gross, Gold Greenless Scott Paper, PROPERTY (4) Arlington Sec., Cap & Reg. Prop., Cussins Prop. Grp., Property Tst., SHIPPING (3) TEXTILES (1) Courtaulds, TRUSTS (7) OILS (8) OVERSEAS TRADERS (2) PLANTATIONS (1) MINES (1) THIRD MARKET (1).

NEW LOWS (37).

INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) LOANS (3) CANADIANS (3) CHEMICALS (1) Alida Hldgs., STORES (4) Colorvision, Euro Home Prods., Top Value Inds., Usher (Frank), ENGINEERING (2) Molins, Whessoe, INDUSTRIALS (5) Cannon St Invs., Highgate & Job, Kalamazoo, My Hldgs., Metal Closures, INSURANCE (1) Abbey Life, MOTORS (1) Hartwells, PAPERS (1) Assoc. Paper, PROPERTY (4) Asda Property, Hambro Countrywide, Kentish Prop., Peel, TEXTILES (4) Jerome, Kynoch (G & G), Leeds Grp., Stoddard, TRUSTS (2) OILS (1) MINES (3).

APPOINTMENTS

Lazards real estate group

LAZARD BROTHERS & CO has appointed Mr Dennis R. Twining as an executive director. He was with Salomon Brothers International in London, and will head the new real estate finance group formed by Lazards. Mr Twining characterised the new group as a natural extension of the company's activities. Lazards involvement with property led most recently to it advising on the structuring and debt and equity financing for the successful bid to purchase County Hall, eventually bought by the County Hall Development Consortium, consisting of London & Metropolitan, New England Properties, TR Property Investment Trust, and Lazard Brothers. The company says the new group will provide innovative structures for equity, debt, and hybrid debt/equity transactions. The market for these products will encompass not only UK-based investors, but also foreign investors who will be part of a global marketing process in co-ordination with the Lazard Brothers capital markets group, and with Lazard Freres in New York, Paris and Tokyo.

■ Mr Michael Say has been elected chairman of McCONNELLS, Derby, in addition to managing director.

■ DOMINO'S PIZZA U.K. has appointed Mr Paul van Staden as managing director.

■ Mr Michael Brewer has been appointed director of marketing of UNISYS in the UK.

■ Mr Jonathan Whitear has joined BANK OF AMERICA INTERNATIONAL as vice president, corporate finance. He was a director, investment banking division, Schroders.

■ Mr John Anderson has been appointed a director of FERODO, T&N's UK friction materials subsidiary. He will be responsible for aftermarket sales. He joined the group in 1958.

■ HENDERSON PENSION FUND MANAGEMENT has appointed Mr Richard Wyatt to its special funds unit. He joins from County NatWest Woodmac Securities where he was a director responsible for UK equity sales.

■ Sir David Rowe-Ham is joining the board of OLAYAN EUROPE and becomes non-executive chairman from June 1. He is a former Lord Mayor of London, and a London regional director of Lloyds Bank.

■ Mr Roy Nickelson has been appointed a director of R.P. MARTIN DEPOSITS from June 1.

■ Mrs Jenny Prince has been appointed a director of CAPITAL HOUSE MANAGEMENT SERVICES.

■ Mr Graham Papworth has been appointed financial director of H.T. HUGHES. He succeeds Mr Richard Trafford who continues as a board member and company secretary.

■ Mr Raghnall H. Craighead has been appointed to the new post of deputy head of investor relations at BRITISH GAS. He was financial systems and development manager.

■ FRAZER-NASH ELECTRONICS has appointed Dr George Wloch as director and technical manager.

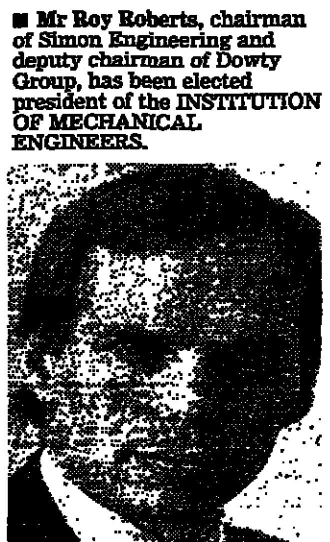
■ PLATIGNUM has appointed as non-executive directors: Mr Harold Blumenthal, recently Lord Mayor of Birmingham, and Mr Eric Davies, recently a Barclays Bank director. Mr John Waites is to be group finance director. He was a senior manager with Arthur Andersen. Mr David Leeming and Mr Anthony Townsend are retiring from the board.

■ Mr Hamish M.J. Ritchie has been appointed a director of R.I.C.S. INSURANCE SERVICES.

■ Mr Angus Clark has been appointed managing director of HEPWORTH REFRACTORIES. He was managing director of P.C. Henderson, and co-managing director of The Henderson Group, prior to its acquisition by Hepworth.

■ ENTERPRISE COMMUNICATIONS has made the following appointments: Mr Peter Pela, chairman; Mr Ray Williams, managing director; and Mr Tim Blackman, sales director.

■ Mr Roy Roberts, chairman of Simon Engineering and deputy chairman of Dowty Group, has been elected president of the INSTITUTION OF MECHANICAL ENGINEERS.



MIDLAND & SCOTTISH RESOURCES has appointed Mr Jon Hawksley (above) as group chief executive. He joins from British & Commonwealth Merchant Bank, where he was head of corporate finance.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	53 64	54 45	57 93	+0 05	4 73
Gilts & Fixed Int	6	112.1	112.1	118 8	+0 5	8 42
High Inc Equity	6	132.6	135 5	144.2	+0 8	4 40
Worldwide Bond	6	197.5	197 5	209 2	-0.1	4 64
Capital Growth						
American Growth	6	184 7	186 4	198 4	-0 3	1.25
Asian Pacific	6	99 53	101 5	108 0	-3 8	0 65
Assets & Earnings	6	159.1	159 1	170.2	+0 3	1.53
Capital Reserve Acc	0	84 93	84 93	85 06	-0 01	4 70
Comdty & Energy	6	98.73	98 73	105 6	-0 4	0 99
1992 Enterprise	6	57 35	58 48	62 22	+0.08	2 89
European Capital	6	83 14	83 14	88 92	+0 65	0 84
General	6	175 1	175 1	187 3	+0 9	2.40
Japan	6	109 8	111 4	118 6	+0 8	0 00
Mastertrust	6	85 10	85 10	91 02	+0.1	1 57
UK Growth Acc	6	202 0	202.0	216 1	...	1.04
UK Growth Dist	6	134.7	134.7	144.1	.....	1.56
US Emerging Cos	6	55 29	57 14	60.79	+0.5	0.00
Income & Growth	6	291.1	291.1	311.4	+1.7	3.29
Ethical	6	49.09	50.31	53.53	.....	2.34
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5	30 90	30 90xd	32.99	+0 06	3.48
European	5¼	61.69	61.79	65.97	+0 43	0.00
European Income	5¼	61 29	61 29xd	65 43	+0 93	3 28
Exempt	5¼	802 6	802 6	837 7	+3 10	2.31
Extra Income	5	42.85	42.85	45 74	+0 13	5 03
F East Emerg Ecos	5¼	45 32	45 97	49 23	-0 09	0.90
Fund Inv Tst	5	122 3	122.3xd	130 6	+0 10	2 55
Do Accum	5	190 5	190 5	203 4	+0.20	2 56
Gilt & Fixed Int	5¼	22 05	22 05	23 53	+0 04	10 14
Income & Growth	5¼	72 54	72 54xd	77 44	+0 35	4 32
Intl Income	5¼	63.21	63.21xd	67 48	+0.36	5.34
Japan	5¼	186.5	186.5	199 1	+1.90	0 00

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
The most recent report and scheme particulars can be obtained free of charge from fund managers.
Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Conv'bl & Equity	5	63.02	65.84xd	70.04	-0.08	6.36
European	5	63.51	63.86	67.95	+0.15	0.97
Far Eastern	5	60.90	61.05	64.95	-1.05	0.76
Growth Inc	5	88.35	91.65	97.49	—	1.39
Growth Acc	5	88.35	91.65	97.49	—	1.39
Income Inc	5	85.01	86.61	92.13	+0.30	4.76
Income Acc	5	85.81	86.61	92.13	+0.30	4.76
Property Share	5	54.88	54.88	58.45	+0.25	0.99
Smaller Co's	5	58.94	62.23xd	66.20	-0.08	1.46
Formerly NBC Trust Managers Ltd						
Nth America	5	61.67	61.67	65.95	+0.40	1.62
International	5	46.22	46.22	49.43	-0.46	1.45
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Growth	5	108.69	108.69	113.69	—	3.27
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	63.80	66.27	70.50	+0.18	2.64
YUTM UK Eqty Inc Tst	5¼	60.59	62.69	66.69	+0.20	4.58
YUTM Intl Gwth Tst	5¼	49.65	49.65	52.96	-0.20	1.03

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield
Baillie Gifford & Co Ltd				
Int'l Exmpt May 17	1480.4	498.6	—	—
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Apr 30	507.65		—	4.67
Fxd Int Sec Apr 30	141.15		—	10.13
Deposit Apr 30	100.00		—	12.45
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income Apr 30	480.64		—	4.97
Accum Apr 30	1579.44		—	—
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American May 24	144.9	148.9	+7.3	1.52
Managed May 24	133.1	138.1	+1.3	2.08
Japan May 25	141.3	145.2	+0.7	0.14
Pacific May 26	460.7	473.4	-27.5	0.21
Sm Jap Cos May 26	268.9	276.3	+4.4	0.10
Fidelity Investment Services Ltd				
Mngd Pens P'folio	124.1	127.0xd	+0.90	1.42
Robert Fleming Asset Mngmt Ltd				
Am Exempt May 23	£413.95	420.06	—	1.37
Gen Exempt May 25	£126.72	129.41	—	3.49

	Bid Price	Offer Price	+ or -	Yield Gross
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	259.8	273.5	+0.1	—
Equity Acc	849.0	893.7	-7.0	—
Property Acc	492.6	518.6	—	—
Far East Acc	211.1	222.3	-0.7	—
European Acc	21.9	23.1	+0.1	—
Managed Acc	670.2	705.5	+4.5	—
Managed Cap	380.7	400.8	-2.6	—
O'seas Earnings Acc	561.6	591.2	-4.4	—
Gilt Edged Acc	312.0	328.5	-0.1	—
American Equity Acc	458.3	482.5	+0.6	—
American Man. Acc	212.8	224.0	+0.2	—
American Prop Acc	148.8	156.7	—	—
Pen.F.I.Dep.Cap	286.2	301.3	+0.2	—
Pen.F.I.Dep.Acc	489.4	515.2	+0.2	—
Pen. Prop. Cap	580.3	610.9	—	—
Pen. Prop. Acc	1095.6	1153.3	+0.1	—
Pen. Man. Cap	820.8	864.0	+1.4	—
Pen. Man. Acc	1549.0	1630.6	+2.7	—
Pen.Gilt Edg. Cap	314.7	331.3	-0.3	—
Pen. Gilt Edg. Acc	485.4	511.0	-0.3	—
Pen. Eq. Cap	1345.3	1416.2	+2.9	—
Pen. Eq. Acc	1924.5	2025.8	+4.2	—
Pen. Am. Eq Cap	152.0	160.0	-0.2	—
Pen. Am. Eq Acc	183.1	192.8	-0.3	—
Pen. Far East Cap	248.2	261.3	-1.6	—
Pen. Far East Acc	299.2	315.0	-1.9	—
Pen. Euro Cap	25.0	26.4	+0.3	—
Pen. Euro. Acc	27.1	28.6	+0.3	—
Pen. B.S. Acc	535.9	562.7	+0.2	—
Pen. B.S. Cap	332.1	338.3	+0.1	—
Pen. D.A.F. Acc	375.5	375.5	+0.1	—
Pen. D.A.F. Cap	253.4	253.4	+0.1	—
Pen. Mortgage Cap	144.3	151.9	—	—
Pen. Mortgage Acc	174.0	183.2	+0.1	—
Baring Funds				
Pen Equ Cap	28.4	29.9	+0.1	—
Pen Equ Acc	29.5	31.1	-0.1	—
Pen Am Eq Cap	33.0	34.8	-0.1	—
Pen Am Eq Acc	34.3	36.2	-0.1	—
Pen Far East Cap	31.3	33.0	-0.5	—
Pen Far East Acc	32.5	34.3	-0.5	—
Pen Euro Cap	34.0	35.8	+0.2	—
Pen Euro Acc	35.3	37.2	+0.2	—
James Capel Funds				
Pen Equ Cap	28.6	30.2	-0.3	—
Pen Equ Acc	29.7	31.3	-0.4	—
Pen Am Eq Cap	31.9	33.6	-0.1	—
Pen Am Eq Acc	33.1	34.9	-0.1	—
Pen Far East Cap	32.3	34.0	—	—
Pen Far East Acc	33.5	35.3	—	—
Pen Euro Cap	30.4	32.0	+0.2	—
Pen Euro Acc	31.5	33.2	+0.2	—

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37-39 Perrymount Road, Haywards Heath 0444 458721				
American	131 0	138 0	+1 0	–
Building Soc. Fd	170 0	179 0	..	–
Balanced	283 0	298 0	+1 0	–
European	168 0	177 0	+1.0	–
GT Managed	175 0	185 0	+1.0	–
Gartmore Mngd.	116 0	125 0	..	–
German	114.0	120 0	+1.0	–
Gilt	180 0	190 0	...	–
Global	48 0	51 0	..	–
High Inc.	122.0	129 0	..	–
International Equity	193 0	204 0	+1 0	–
Japan	240 0	253 0	–1 0	–
Managed	64 0	68 0	+1 0	–
Property	279 0	294 0	..	–
R. W. Imperial Gold	143 0	151 0	..	–
UK Equity	379 0	399 0	+2.0	–
Pension Funds				
American	253 0	262.0	.....	–
Building Soc. Fd	170 0	179 0	....	–
Balanced	219 0	231 0	..	–
European	161 0	170 0	.....	–
German	102 0	108 0	.....	–
Gilt	155 0	164 0	..	–
International Equity	141.0	149.0	.....	–
Japan	138 0	146 0	..	–
Managed	64 0	68 0	....	–
Property	215 0	227 0	....	–
UK Equity	339 0	357.0	+1.0	–
Prolific Life & Pensions Ltd				
Stramongate, Kendall, Cumbria LA9 4BE 0539 33733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd.	597.2	629 2	+1 8	–
Adventurous Mngd.	127.7	134.6	+0 2	–
Secure Mngd	108 8	114 7	+0 3	–
Cash Fd	231.9	244.4	.....	–
Property Fund	285 1	303.3		–
Equity Fund	667 7	710 4	+1 8	–
Fxd Int Fund	292.9	311 7	+2.0	–
International	303 7	323.1	–0.2	–
High Income	474.8	505 2	+3 4	–
Far East	437 1	460 6	–10 4	–
North American	283 2	298 5	+0 5	–
Special Sits	616 5	655 9	+4 7	–
Technology	259.0	275.6	–1.6	–
Extra Inc Fd	284 5	302 7	+1 7	–
Convertible & Gilt Fd	148 8	158 4	+0.2	–
American Income	131 5	139 9	..	–
Gilt Fund 20	296.5	315.5	..	–
European Fund	100.3	105 7	+0.3	–
Pref & Fixed Int	96.5	101 7	+0 3	–
Pension Funds				
Balncd Gth Mgd Pens Acc	568 6	598 6	+0 8	–
Adventurous Mgd Pens Acc	124 6	131.2	+2.0	–
Secure Mngd Pens Acc	106 7	112 4	+0 2	–
Building Soc Acc	239 4	252 0	..	–

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Holborn Pensions Ltd—Contd.				
Communications	102.0	107.4	–0 1	–
Smaller Companies	107.1	112.8	+0 1	–
International Small Cos	128.3	135.1	–0.7	–
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-405 9222				
Discretionary May 24	£155 05	160 40	+1.99	–
Equity May 24	£169 54	175 68	+1.86	–
International May 24	£26 02	26.77	+0 74	–
Intl Bond May 24	£12.36	12 53	–0.49	–
Fixed Int May 24	£72 06	73 03	–0.16	–
Index Linked May 24	£60 72	61.48	+0.08	–
Property May 24	£109.34	115.88	+0.07	–
Cash May 24	£20.7371	20.7371	+0 0478	–
Pru-Linked Retirement Plan				
Managed May 24	380 0	385.9	----	–
Cash May 24	192 8	203 0	----	–
Prudential Pensions Investment Account				
Pens Mngd May 25	255.7	263 9	..	–
Pens UK Eq May 25	302.4	318.4	–2.5	–
Pens Intl May 25	188 0	197 9	–1 0	–
Pens Fixed May 25	164 3	173.0	–0 8	–
Pens Index Lk May 25	154.5	162 7	–0 7	–
Pens Cash May 25	127.3	134.0	----	–
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9RS 01-538 8800				
Aggressive Ptflio Fd	118.3	124.5	–1.0	–
Balanced Ptflio Fd	310 3	326 6	–3 3	–
Cautious Ptflio Fd	121 0	127.3	–0.6	–
Elite Fund	107 4	113 0	–1.1	–
European Fund	82 4	86.7	+0.6	–
Far East Fund	110.0	115 7	+0 5	–
Fixed Interest Fund	241 1	253 7	–1.1	–
International Fund	265 6	279 7	+0 6	–
Money Fund	175 8	185 0	..	–
N American Fd	119 1	125 3	–0.2	–
Property Fund	414.1	435 8	–4 5	–
UK Equity Fd	378.0	397 8	–6 8	–
A J M Brewin Dolphin Fd	93 0	97 9	–1.1	–
Swim Select Invs	110 6	116 7	....	–
Chart Safety First Bd	108 6	114 3	–0.3	–
Exec Master Fd	97.6	102 7	+0.6	–
Hardwick Growth Fd	109 4	115 2	.....	–
Bentley Haig LR Port	101 4	106 7	.....	–
Milbourne Spec Port	113 9	119 9	.....	–
Swim Global Fd	111 6	117 5	–	–
Hardwick Tx Fd	72 0	75.8	...	–

All funds have equivalent pension fund. Series 2 prices above. Others available from Regency Life.

	Bid Price	Offer Price	+ or -	Yield Gross
Reliance Mutual				
Reliance House, Tunbridge Wells, Kent 0892 510033				
Deposit Acc Fd	123 3	129 8	..	–
Equity Acc Fd	309 1	325 4	+1 0	–
Managed Acc Fd	281.2	296 0	..	–
Prop Fd (1st Issue)	–	561 2	..	–
Prop Acc Fd (2nd Iss)	174 4	183 6	..	–

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

GUERNSEY (**)

[illegible]

JERSEY (**)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
102	97	Conversion 9½pc 2004	98	+	9.66	9.70
103	98	Conversion 9½pc 2005	98	+	9.64	9.67
111¼	106	Exch. 10½pc 2005	106	+	9.84	9.66
125	119	Treas. 12½pc 2003-05	119	+	10.43	9.89
90	86¼	Treas. 8pc 2002-06‡‡	86	+	9.22	9.57
105	100	Conversion 9¾pc 2006	101	+	9.62	9.58
118	113	Treas. 11¾pc 2003-07	113	+	10.33	9.88
96	91	Treas 8½pc 2007 ‡‡	92	+	9.24	9.42
134	127	Treas. 13½pc '04-08	128½	+	10.51	9.81
101	96	Treas. 9pc 2008 ‡‡	96¼	+	9.31	9.36
92	87	Treas 8pc 2009	88	+	9.08	9.31
102	97	Conv 9pc Ln 2011 ‡‡	97	+	9.21	9.24
68	65	Treas. 5½pc 2008-12‡‡	65	+	8.37	9.05
89	85	Treas. 7¾pc 2012-15‡‡	85	+	9.00	9.16
132	125	Exch. 12pc '13-'17	126	+⅛	9.47	9.23

Undated

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
45⅝	42¼	Consols 4pc	43	.....	9.24	–
40	38⅛	War Loan 3½pc‡‡	38	.....	9.12	–
70	60	Conv. 3½pc '61 Aft	65	.....	5.31	–
41	31	Treas. 3pc '66 Aft	35	.....	8.57	–
30¼	26¼	Consols 2½pc	27¼	.....	9.17	–
29½	26¼	Treas. 2½pc	27	.....	9.26	–

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or –	(1)	(2)
129½	124	Treas 2pc IL '90(84.6)	129	+	–	4.09
107	103	Do. 2pc '92‡‡(97.8)	107	+	2.91	3.90
99	94	Do. 2 '94 (102.9)	99	+	3.22	3.78
146½	139¼	Do. 2pc '96(67.9)	146	+	3.26	3.65
124	118	Do 2½pc '01(78.3)	124	+	3.49	3.75
122	115	Do. 2½pc '03(78.8)	121	+	3.54	3.77
125	117	Do. 2pc '06(69.5)	124	+	3.56	3.75
117	110	Do. 2½pc '09(78.8)	116	+	3.56	3.73

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
26⅞	21½	Dana Corp. $1	26⅞	.....	$1.60	–	3.8
11⅞	854p	Data General	11⅞	.....	–	–	–
34¼	28⅛	Dun & Bradstreet $1.	34	+⅛	$2.00	–	3.7
39	30½	Eaton Corpn. 50c	39	.....	h$2.00	–	3.2
11⅛	8⅞	Echlin Inc	11⅛	–⅛	70c	–	4.0
20¼	16⅞	FPL Group 1c	19⅞	–⅛	$2.20	–	7.0
32⅛	27⅝	Ford Motor $1	30	–⅛	$3.00	–	6.3
39¼	30⅞	GATX 62½c	39¼	–⅛	$2.00	–	3.2
34⅞	24¼	Gen. Elect. 63c	34	+⅛	$1.64	–	3.1
567p	484p	♥General Host Corp $1.	523p	–9	28c	–	3.4
39⅛	18¼	Gillette $1	24⅞	–⅛	96c	–	2.5
834p	616p	Gt Am First Svgs Bk $1.	869p	–1	60c	–	4.7
21¼	16⅞	Greyhound $1½	21¼	.....	$1.32	–	3.8
12¼	847p	Hasbro Inc 50c	12¼	+⅛	16c	–	0.8
11⅛	6	Home Group $1	7⅞	–⅛	20c	–	1.6
49¼	32¼	Honeywell $1½	48⅛	–⅞	$2.10	–	2.7
18⅞	15¼	Houston Inds.‖	18¼	.....	$2.96	–	10.0
74⅝	63⅞	IBM Corpn $1¼	67⅞	–2⅞	$4.84	–	4.5
52p	45p	♥Image Storage/R Sys 1c	45p	.....	–	–	–
26⅛	18¾	Ingersoll-Rand $2	26⅛	–⅛	$1.04	–	2.5
30⅛	22½	Lockheed Crpn. $1	30⅛	.....	$1.60	–	3.3
18⅞	15⅞	Lone Star Inds $1	18¼	–⅞	$1.90	–	6.4
24¼	17⅛	Louisiana Land 15c	23⅞	–⅞	$1.00	–	2.6
16	11⅛	Lowe's 50c	15¼	.....	48c	–	2.0
22⅞	15⅞	Manuf. Hanover $1.	22⅛	–⅞	$3.28	–	9.2
19⅛	13⅞	Merrill Lynch $1	19	–⅛	$1.00	–	3.3
2253p	1910p	Moley Inc	2044p	–14	3.2c	–	–
25½	18⅛	Morgan (JP) $2½	25⅞	–⅞	$1.66	–	4.2
49⅞	36⅛	NYNEX $1	49⅞	.....	$4.36	–	5.6
23	18¼	PHH Corp. ‖	23	+⅛	$1.12	–	3.1
253p	220p	♥Pacific Agr.‖	253p	.....	–	–	–
24⅝	19	Pacificorp $3¼	24⅝	+⅛	$2.76	–	6.8
26¼	16⅞	Pacific Telesis 10c	25¼	.....	$1.88	–	4.6
20¼	15¼	Pall Corp 25c	20¼	.....	48c	–	1.5
53⅞	39⅞	Pennzoil 83 1/3c	51⅛	–1⅞	$3.00	–	3.7
24¼	17⅞	Premark Intl	24¼	–⅛	60c	–	1.6
37⅞	28⅛	Quaker Oats $5	37⅛	–⅛	$1.20	–	2.0
28⅞	23½	Rep NY Corpn $5	28⅞	.....	$1.28	–	2.8
14⅞	11⅞	Rockwell Intl. $1	14⅛	–⅞	72c	–	3.2
33⅞	21⅝	Southwestern Bell $1.	33	+⅛	$2.60	–	5.0
25⅞	17⅞	Sun Co. Inc $1	25⅞	+⅞	$1.80	–	4.5
29⅛	22⅞	TRW Inc. 62½c	29⅛	.....	$1.72	–	3.7
20⅛	14⅝	TW Services $5.	20⅛	.....	10c	–	0.3
34⅞	26¼	Tenneco $5	34⅞	–⅛	$3.04	–	5.6
35¼	28	Texaco $6.25	35¼	+⅞	♦$3.00	–	5.4
28⅞	21⅝	Texas Instr $1	27¼	–⅞	72c	–	1.6
82¼	58⅝	Time Inc. $1	82¼	+2⅞	$1.00	–	0.8
17¼	15⅞	TRINOVA Corp.	17½	–⅛	s64c	–	2.3
21⅞	16	USX $1	21⅞	+⅞	$1.40	–	4.0
164p	126p	♥Unilab	158p	.....	–	–	–
33	22¼	Utd. Technologies	32⅞	–⅞	$1.60	–	3.1
158p	128p	♥Utilitech Inc.	142p	.....	–	–	–
44⅛	31½	US West‖	43⅞	–⅛	$3.76	–	5.4
32⅞	22⅝	Waste Management $1.	32⅞	+⅛	48c	–	0.9
19¼	13½	Whirlpool $1	19	–¼	$1.10	–	3.7
21⅞	16⅞	Whitman Corp	20⅛	–⅞	96c	–	2.9
33¼	28⅛	♥Woolworth $3½	33⅛	–⅛	$1.64	–	3.1

CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
157p	129p	♥ABM Gold Corp ‖	144p	+5	–	–	–
23⅛p	4½p	♥Abbey Energy Corp	12p	–4	–	–	–
13¼	902p	♥Amer. Barrick Res.	12⅛	–⅛	–	–	–
3¼p	2⅛p	♥Amer Lightwave ‖	2⅝p	.....	–	–	–
19⅛p	11½p	♥Armeno	11½p	–½	–	–	–
328p	94p	♥Asiamerica Hldgs‖	328p	+3	–	–	–
33⅛p	13½p	♥Augmitto Expln	13⅛p	+⅞	–	–	–
16½	12⅞	Bk. Montreal §	16	–⅛	$2.12	–	6.7
938p	655p	Bk. Nova Scot.‖	926p	+5	84c	–	4.6
20⅛	17	BCE ‖	20¼	–⅞	$2.44	–	6.1
839p	570p	♥Bow Valley‖	827p	–8	♦40c	–	2.4
15½	12⅛	♥Brascan‖	15	–⅛	88c	–	3.0
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INSURANCES

[illegible]

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INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING—Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

... for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	100	....
Craig & Rose £1.. y	720	....
Finlay Pkg. 5p.... y	88xd	....
Holt (Jos) 25p..... y	1325	+12

IRISH

Cap. 8½% Ln. 1991	£98	....
9pc Cap Ln. 1996..	£97¼	....
Fin. 13% 97/02...	£118	....
Arnotts..............	450xd	....
Carrol (P.J.)....... y	150	....
Hall (R. & H.).......	158	–2
Helton Hldgs....... y	77	–1
Irish Ropes.........	195xd	....
United Drug.........	140	....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	13
Cadburys	31
Charter Cons	45
Comm Union	23
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	30
Land Securities	52
MEPC	50

Oils	
Brit Petroleum	21
Do. Int. Certs	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines	
Cons Gold	100
Lonrho	38
RTZ	40

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Reduced demand for dollar

CENTRAL BANKS were successful in driving the dollar weaker in currency markets yesterday. Their ability to do so highlighted the lack of interest in the dollar ahead of the long weekend in the US and the UK, with both centres closed on Monday for Memorial Day and Spring Bank holiday respectively.

Traders reported a sharp reduction in investor demand for the US unit, indicating that the recent rally may have stalled for the time being. Reasons for the change of heart include the proximity of the Group of Seven meeting in Paris starting on June 1 and position-squaring ahead of the month end.

The dollar opened at just above the DM2.00 level but slipped below it during the afternoon after figures showed a downward revision in US first quarter gross national product. The increase was revised to 4.3 per cent from 5.5 per cent earlier. The rate of inflation, as measured by the implicit price deflator, was unchanged at 3.9 per cent.

The US unit eased to DM1.9980 but there was no sign of any renewed investor demand, and central banks took the opportunity to drive the dollar still weaker. It touched a low of DM1.9865, close to strong support identified at DM1.9850 and bargain hunters drove the US unit back to DM1.9950, although this was still well down from its close on Wednesday of DM2.0125. It also broke through key support at Y142.0 and SFr1.7600 to finish at Y141.95 and SFr1.7560 from Y142.85 and SFr1.7860 respectively.

The sharp fall in terms of the Swiss franc came after news that a Swiss floating Lombard rate has been introduced. Elsewhere, the dollar finished at FFr6.7600 from FFr6.8175. On Bank of England figures, the dollar's exchange rate index fell from 72.6 to 72.2.

The US Federal Reserve entered the market twice to sell dollars against the D-Mark and the yen. It was joined by the Bank of Canada, the Bank of England and at least five other European central banks, but once again the West German Bundesbank was noticeable by its absence.

Sterling finished on a broadly neutral note, relieved that UK trade figures turned out to be no worse than expected but with traders keenly aware that it was still a poor figure. The April visible deficit was £2.16bn while the current account shortfall increased to £1.6bn.

The pound's exchange rate index finished at 93.1, unchanged from the close on Wednesday but down from 93.3 at the opening yesterday. Sterling received support from the Bank of England, but investors are unlikely to change their bearish attitude towards the pound in view of the large current account deficit.

Against the dollar, sterling finished at $1.5800 from $1.5685. It was marginally weaker against the D-Mark at DM3.1525 from DM3.1550 and fell quite sharply against the Swiss franc to SFr2.7750 from SFr2.8025. Elsewhere, it closed at Y224.25 from Y224.00 and FFr10.6800 compared with FFr10.6925.

£ IN NEW YORK

May.25	Latest	Previous Close
£ Spot	1.5715-1.5725	1.5685-1.5695
1 month	0.54-0.53pm	0.56-0.53pm
3 months	1.67-1.65pm	1.68-1.64pm
12 months	5.83-5.73pm	5.80-5.65pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	May.25	Previous
8.30 am	93.3	92.8
9.00 am	93.3	92.7
10.00 am	93.1	93.5
11.00 am	93.3	93.1
Noon	93.1	93.2
1.00 pm	93.1	93.2
2.00 pm	93.1	93.1
3.00 pm	93.2	93.2
4.00 pm	93.1	93.1

CURRENCY RATES

May.25	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.788534	0.659829
U.S Dollar	7	1.23855	1.03890
Canadian $	12.39	1.48688	1.25260
Austrian Sch.	5	17.5280	14.6329
Belgian Franc	7.75	52.1058	43.5611
Danish Krone	7½	9.71147	8.09978
Deutsche Mark	4.50	2.48949	2.07988
Neth.Guilder	5.50	2.80284	2.34376
French Franc	9½	8.43576	7.04582
Italian Lira	13½	1803.33	1505.83
Japanese Yen	2½	176.989	147.887
Norway Krone	8	8.96586	7.48631
Spanish Peseta	-	155.467	130.018
Swedish Krona	9½	8.38127	6.98037
Swiss Franc	4.5	2.21453	1.83989
Greek Drach.	20½	N/A	176.852
Irish Punt	-	0.930544	0.777969

*All SDR rates are for May.24

CURRENCY MOVEMENTS

May.25	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.1	-17.9
U.S Dollar	72.2	-4.9
Canadian Dollar	102.7	-0.1
Austrian Schilling	106.2	+9.5
Belgian Franc	105.3	-6.6
Danish Krone	102.2	-2.7
Deutsche Mark	111.7	+19.6
Swiss Franc	104.0	+12.1
Guilder	109.6	+12.6
French Franc	98.5	-16.0
Lira	98.1	-19.6
Yen	141.7	+71.0

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for May.24 .

OTHER CURRENCIES

May.25	£	$
Argentina	300.15-300.45	189.90-190.00
Australia	2.0805-2.0825	1.3180-1.3190
Brazil	1.7815-1.7900	1.1270-1.1320
Finland	7.0090-7.0290	4.4450-4.4470
Greece	266.20-270.70	168.85-171.60
Hong Kong	12.2675-12.2830	7.7790-7.7820
Iran	118.50*	73.00*
Korea(Sth)	1044.70-1053.10	664.10-669.50
Kuwait	0.46800-0.46900	0.29700-0.29750
Luxembourg	65.80-65.90	41.65-41.75
Malaysia	4.2440-4.2560	2.6940-2.6960
Mexico	3896.40-3899.25	2466.00-2466.00
N. Zealand	2.6450-2.6500	1.6740-1.6770
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af (Cm)	[illegible]	[illegible]
S. Af (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu May.25	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5611	+2.60	+1.01	±1.5344
Danish Krone	7.85212	8.09978	+3.15	+1.56	±1.6404
German D-Mark	2.05853	2.07988	+1.04	-0.55	±1.0981
French Franc	6.90403	7.04582	+2.05	+0.46	±1.3674
Dutch Guilder	2.31943	2.34376	+1.05	-0.54	±1.5012
Irish Punt	0.768411	0.777969	+1.24	-0.35	±1.6684
Italian Lira	1483.58	1505.83	+1.50	+0.59	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

Belgian rate is for convertible francs. Financial franc 66.05-66.15. Six-month forward dollar 3.22-3.17cpm. 12 month 5.70-5.60cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 41.80-41.90.

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 9⅝-9½ per cent; three years 9⅝-9½ per cent; four years 9⅝-9½ per cent; five years 9½-9⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling prices slightly firmer

Sterling prices edged firmer in active Liffe trading yesterday, helped by a steadier pound and a small decline in cash rates. The September short sterling price attracted further good volume with over 33,000 lots changing hands. The price moved up to a high of 86.50 before closing at 86.43, up from 86.39 on Wednesday.

Long gilt prices were also marked up in relatively good turnover but finished some way below the day's highs. The softer tone reflected a similar move in US bond prices. The latter moved firmer initially after a downward revision in US first quarter GNP. However, values were marked down from the earlier highs when it became clear that the apparent slowdown was due to de-stocking, and that the underlying rate of growth remains strong. The US bond for June delivery touched a high of 93-03 before closing at 92-18, barely changed from the close on Wednesday of 92-17.

Euro-dollar futures also adopted a softer tone as yesterday's data led to fears that the US Federal Reserve is unlikely to pursue an easier monetary policy until there are clear signs that inflation and economic growth are slowing.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
92	347	356	11	36
93	255	309	19	53
94	205	231	33	111
95	126	159	54	139
96	58	128	122	208
97	37	104	201	248
98	22	48	250	328

Estimated volume total, Calls 770 Puts 2586
Previous day's open int. Calls 2950 Puts 3885

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
86	644	656	14	32
88	459	519	29	59
90	322	358	56	134
92	203	249	137	225
94	105	156	239	332
96	33	119	403	453
98	15	48	549	624

Estimated volume total, Calls 50 Puts 2
Previous day's open int. Calls 1734 Puts 1526

LIFFE BUND FUTURES OPTIONS

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
9100	203	202	21	50
9150	161	167	29	65
9200	124	136	42	84
9250	94	111	62	109
9300	68	89	86	137
9350	51	69	119	167
9400	33	53	151	201

Estimated volume total, Calls 488 Puts 1070
Previous day's open int. Calls 3038 Puts 3959

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT

[illegible]

7-10 YEAR 9% NOTIONAL GILT

[illegible]

US TREASURY BONDS 8%

[illegible]

6% NOTIONAL GERMAN GOVT. BOND

[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

[illegible]

THREE MONTH STERLING

[illegible]

THREE MONTH EURODOLLAR

[illegible]

THREE MONTH EUROMARK

[illegible]

FT-SE 100 INDEX

[illegible]

POUND-$ (FOREIGN EXCHANGE)

[illegible]

DM-STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

[illegible]

U.S. TREASURY BILLS (IMM)

[illegible]

SWISS FRANC (IMM)

[illegible]

JAPANESE YEN (IMM)

[illegible]

DEUTSCHE MARK (IMM)

[illegible]

THREE-MONTH EURODOLLAR (IMM)

[illegible]

STANDARD & POORS 500 INDEX

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 40,708

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

European rates up

INTEREST RATES were mostly firmer in Europe yesterday as part of a continuing response to a recent rise in the US dollar. The Swiss National Bank introduced a flexible Lombard rate, with effect from today, which will be set at one per cent above the call money rate. The latter was quoted yesterday at 7 per cent, indicating a Lombard rate of 8 per cent. Before the announcement yesterday, the Lombard rate had been fixed at 7. The Swiss discount rate remains at 4½ per cent.

UK clearing bank base lending rate 14 per cent from May 24

The Belgian National Bank raised its three-month Treasury bill rate to 8.65 from 8.50 per cent and increased one and two-month bills by the same amount to 8.25 and 8.50 respectively. The three-month rate is regarded as a useful barometer in judging official interest rate policy.

Meanwhile, the Dutch central bank pushed its sale and repurchase rate up to 6.8 from 6.7 per cent when providing Fl 1.16bn of fresh liquidity through an eight day special advances facility.

Interest rates in London were slightly easier after UK trade figures were seen to be broadly in line with expectations. The pound's steadier tone also helped to calm nerves a little. Three-month interbank money was quoted at 13⅞-13¾ per cent against 13⅞-13⅞ per cent on Wednesday while longer term rates also edged lower. One-year money was quoted at 13¾-13⅝ per cent against 13⅞-13¾ per cent previously.

The Bank of England forecast a shortage of around £200m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills draining £183m and a rise in the note circulation of £115m. In addition, banks brought forward balances £120m below target. These were partly offset by Exchequer transactions which added £210m.

The forecast was revised to a shortage of around £300m, and the Bank gave assistance in the morning of £87m through outright purchases of £82m of eligible bank bills in band 1 at 13⅞-13¾ per cent and £5m in band 2 at 13¾ per cent.

A further revision took the forecast to a shortage of around £250m, and the Bank gave additional assistance of £158m in the afternoon through outright purchases of eligible bank bills in band 1 at 13¾ per cent. Total help came to £245m.

FT LONDON INTERBANK FIXING

(11.00 a.m. May.25) 3 months US dollars: bid 9⅝ offer 9¾ — 6 months US Dollars: bid 9½ offer 9⅝

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

[illegible]

JOTTER PAD

CROSSWORD

No.6,944 Set by GRIFFIN

ACROSS

1 Journeys the fool leaves out (5)
5 Stout girl's dad (6)
9 It's not Louis that's turning the key (8)
10 Naughty Olga takes soldier into arcade (6)
11 Bank with duty list, salesman ought to find telephone list (8)
12 One on a bum's bad foot (6)
14 Probability of gangster, 50, and Isaac, 51, coming first (10)
18 Speed back with new cleaner for place of worship (10)
22 And not returning key when inside grounds (6)
23 Defend man with a fancy dove enclosure (8)
24 Felix Irving has swallowed the crane-all (6)
25 Foul view behind hospital (8)
26 Number of last taxi to catch in New York (6)
27 Same when fixed in curved floor (8)

DOWN

1 Or sat, fiddling quietly, in front of priest (6)
2 You upset Rose, enclosing a meal ticket! (6)
3 Missing street artist always found outside (6)
4 Claim one poor officer admitted being careful (10)
6 Maria (to cook) "Cold and spicy" (8)
7 Intellectual school type going over top of hill (8)
8 Broadcast bad prosy piece of music (8)
13 Banned all sorts containing a love drug (10)
15 It's Fish Street drive on (8)
16 Wearing a supporter is no different (8)
17 Person with burning desire? (8)
19 Because it takes time to make cattle food (6)
20 Dead fish hang freely (6)
21 Failing to get court order, feed in advance (6)

Solution to Puzzle No.6,943

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

ITALY (continued) [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

SINGAPORE [illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
4pm prices May 25

[illegible]

Sales	Stock	High	Low	Close	Chng
100	C Guar Trc	$22⅞	22⅞	22⅞	+ ⅛
10700	Cineram	136	135	136	+ 1
200	Cinehan	$14½	14½	14½	+ ⅛
41700	Cineplex	$15⅛	15⅛	15⅛	+ ⅛
7700	Co Steel f	$18½	18½	18½	
116270	Cominco	$26	25⅝	25⅝	+ ⅛
951700	Computlog	450	440	450	
59800	Connaught	$28¾	28¼	28¼	– ¼
22268	Con TVX	$5⅞	5¾	5¾	
118722	Intl Thom	$17¾	17⅝	17¾	
41176	Ipsco	$19	18½	18½	
43700	Ivaco A f	$11⅛	11	11	+ ⅛
6550	Jannock	$19⅜	19⅛	19⅛	– ⅛
2905	Kelly DA	$78	78	78	
9	Kerr Add	$19⅛	19⅛	19⅛	
20737	Labatt	$23½	23¼	23¼	
321092	Lac Mnrls	$11⅛	10⅞	11⅛	
10	Lafarge p	$19¼	19¼	19¼	
537435	Royal Bnk	$44⅞	43½	43½	– ¼
43150	SHL Syst	$11⅛	10⅞	11⅛	+ ⅛
1000	SNC A f	$6¼	6⅛	6⅛	– ⅛
2950	StL CemA f	$18¼	18	18	– ¼
400	Samuel MT	$15¼	15¼	15¼	+ ¼
146873	Saskoil	$10⅝	10¼	10½	+ ⅛
14262	Sceptre	430	425	425	
200	Schneider A	$25	25	25	– ½
2200	Scot Paper	$17¼	17	17	– ¼

t—No voting rights or restricted voting rights.

MONTREAL
4pm prices May 25

Sales	Stock	High	Low	Close	Chng
9467	DomTxtA	$14½	14⅛	14⅛	+ ⅛
3400	Memotec	$10	09⅞	10	
157969	NatBk Cda	$14⅛	13⅞	13⅞	– ⅛
14746	Noverco	$12⅛	12	12	
107130	Power Corp	$16⅛	16	16⅛	
38463	Provigo	$09⅝	09¼	09⅜	+ ¼
3150	SteinbrgA	$39	38½	38⅞	+ ⅞
17400	Videotron	$18	17⅞	17⅞	– ¼

Total Sales 6,684,497 shares.

INDICES

NEW YORK DOW JONES

	May 25	May 24	May 23	May 22	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2482.59	2483.87	2478.01	2502.02	2502.02 (22/5)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.38	90.62	90.45	90.31	90.62 (24/5)	87.35 (23/3)	–	–
Transport	1152.65	1154.27	1155.56	1161.06	1161.06 (22/5)	959.95 (3/1)	1161.06 (22/5/89)	12.32 (8/7/32)
Utilities	199.27	199.74	199.38	201.04	201.04 (22/5)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2498.72 (2494.68) Low 2467.56 (2458.03)

STANDARD AND POOR'S	May 25	May 24	May 23	May 22	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	319.17	319.14	318.32	321.98	321.98 (22/5)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial (latest)	366.51	366.05	364.72	369.09	369.09 (22/5)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	29.81	29.80	29.85	30.07	30.07 (22/5)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	178.05	177.97	177.61	179.35	179.35 (22/5)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	352.65	351.00	350.96	352.98	353.83 (19/5)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	442.89	441.49	440.15	441.78	442.05 (19/5)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	May 19	May 12	May 5	year ago (approx.)
Dow Industrial Div. Yield	3.35	3.43	3.51	3.68
	May 24	May 17	May 10	year ago (approx.)
S & P Industrial div. yield	3.03	3.04	3.12	2.94
S & P Indl. P/E ratio	13.46	13.42	13.54	15.35

TRADING ACTIVITY † Volume Millions	May 25	May 24	May 23
New York	154.916	178.600	188.742
Amex	11.457	11.415	10.983
OTC	(u)	122.357	140.958

NEW YORK	May 25	May 24	May 23
Issues Traded	1968	1,946	1,978
Rises	819	768	565
Falls	636	640	925
Unchanged	513	538	488
New Highs	110	81	108
New Lows	12	25	21

CANADA

TORONTO	May 25	May 24	May 23	May 22	1989 High	1989 Low
Metals & Minerals	3410.8	3376.9	3360.2	(c)	3564.9 (6/2)	3207.5 (3/1)
Composite	3667.8	3667.5	3657.7	(c)	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1881.89	1884.79	1885.76	(c)	1901.24 (19/5)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
NCNB	4,592,50	43⅞	1⅞	Citicorp	1,819,800	31⅛	– ⅜
Maytag xd	3,055,600	23½	+ 2⅛	Warner Comms	1,802,000	51½	+ ⅛
Texaco	2,643,100	56⅛	+ ½	Unisys Corp	1,787,700	25½	+ ⅞
Texas Utilities	2,033,800	30⅞	– ⅛	Eastman Kodak xd	1,701,000	44⅞	+ ⅛
Syntex	1,916,300	47⅞	+ 1¼	ATT	1,575,700	35⅛	– ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	May 25	May 24	May 23	May 22	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1544.1	1571.2	1583.7	1580.2	1583.7 (23/5)	1412.9 (7/4)
All Mining (1/1/80)	687.5	698.9	702.1	702.1	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	(c)	316.34	308.38	304.09	320.48 (12/5)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6092.89	6049.80	6061.58	6081.92	6092.89 (25/5)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	302.74	305.32	309.14	309.03	310.64 (16/5)	275.49 (27/2)
FINLAND						
Unitas General (1975)	803.8	801.4	799.3	798.7	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	469.4	466.5	464.9‡	464.5	470.4 (24/4)	417.9 (4/1)
Ind. Tendance(30/12/88)	111.7	110.1	109.4	109.2	111.7 (25/5)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	(c)	573.72	566.38	576.39	585.28 (13/4)	535.78 (27/2)
Commerzbank (1/12/53)	(c)	1703.3	1681.3	1684.6	1741.9 (13/4)	1595.7 (27/2)
DAX (30/12/87)	(c)	1372.09	1352.56	1345.10	1394.62 (17/4)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2752.51	3008.73	3067.65	2806.57	3309.64 (15/5)	2706.69 (3/1)
ITALY						
Banca Com. Ital. (1972)	600.14	601.06	603.98	603.37	620.30(24/4)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34005.39	33851.82	33816.61	34067.8	34135.24 (8/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2519.50	2509.73	2507.85	2519.46	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	243.4	241.4	241.0	241.5	243.4 (25/5)	208.3 (3/1)
CBS All Shr (End 1983)	189.7	188.1	187.9	188.3	190.6 (27/4)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	649.72	644.7	651.24	659.56	665.61 (19/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1257.72	1280.57	1291.92	1292.74	1310.02 (17/5)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1398.0♦	1382.0	1371.0	1313.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2390.0♦	2380.0	2347.0	2287.0	2581.0 (28/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	(c)	309.20	310.82	310.24	310.82 (23/5)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4035.2	4012.9	(u)	4046.8	4046.8 (22/5)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	668.6	668.8	672.6	674.1	686.0 (28/4)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	498.4	501.0	503.5	519.0 (17/2)	491.2 (28/3)

♦ Subject to official recalculation.
‡ Correction.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday 25 May 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
KHI	81.1m	1,150	+30	MHI	14.2m	1,150	+40
Toda Const.	20.2m	1,730	+20	Kawasaki Steel	11.6m	1,060	+20
Toshiba	18.8m	1,370	+20	Topy Industries	10.7m	1,160	+60
Sumitomo Metal	16.0m	898	-10	Hitachi Zosen	9.7m	871	+32
Sato Kogyo	14.2m	2,650	-100	Nippon Steel	9.4m	897	-3

4pm prices May 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
31½	21⅞	AAR	.44	1.4	20	141	31	30¾	30⅞	−⅛
10⅛	8⅜	ACM n	1.01	11.		368	9⅛	9	9⅛	+⅛
11⅞	10¼	ACMIn	1.28a	11.		393	11	10⅞	11	+⅛
10⅛	8½	ACM M n	1.01	11.		226	9¼	9⅛	9¼	+⅛
11½	10⅛	ACM Sc	1.28	12.		703	10⅜	10¼	10¼	
10	8⅜	ACMSp	1.01	11.		273	9⅛	9	9	
4⅜	2¾	AMCA	.12e	2.9	28	21	4⅛	4	4⅛	
6⅛	3½	AM Intl				2555	6	5⅞	5⅞	−⅛
23½	18⅛	AM In pf	2	8.9		10	22¼	22½	22½	−⅛
65⅞	39	AMR			8	1820	63⅜	62⅞	63⅛	+½
27	25	ANR pf	2.67	10.		15	26½	26	26	−⅜
9½	3¾	ARX				408	4½	4¼	4½	+¼
47	35¼	ASA	3a	7.6		254	39⅝	39⅛	39⅝	+½
22⅛	14¾	AVX	.24	1.1	10	130	22	21⅜	21⅞	−¼
60⅞	43	AbtLab	1.40	2.4	17	2066	58	57⅜	57¾	−½
19	16⅜	Abitibi g	1			143	16½	16⅜	16⅜	−⅛
12	7½	AcmeC	.40	3.9		535	10½	10¼	10¼	−¼
8	5⅞	AcmeE	.32	4.0	19	20	8	7⅞	8	
34⅜	20¼	Acuson			26	252	33⅞	33¼	33⅞	+⅛
16⅞	14¼	AdaEx	1.83e	12.		51	15½	15⅜	15½	+¼
16⅞	7⅛	AMD				2698	9⅜	9⅛	9¼	+⅛
42½	28¾	AMD pf	3	9.3		x17	32½	32⅜	32⅜	−⅛
9½	6½	Adobe				2880	u 9⅝	9⅛	9½	+⅜
18¼	16½	Adob pf	1.84	10.		28	18	17¼	17¼	−⅛
[illegible]										

Continued on Page 51

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
76¾	29½	Racal n				1661	72	71	72	+1⅛
13-16	5-16	vjRadce				516	15-32	11-32	⅜	−1-16
88½	70½	RalsPur	1.88	1.9	13	505	87⅞	87	87¼	+ ⅛
12½	6⅞	Ramad				8018	12	11⅞	11⅞	
6½	4⅞	RangrO			50	149	5½	5½	5½	
54	30¾	Raycm	.32	.9	18	349	34⅝	34½	34⅝	
18⅛	9	RJamF	.20	1.3	9	30	u15⅞	15	15	− ⅛
21⅝	18	Rayonr	2.60	14.	6	129	19¼	18⅞	19¼	
6¾	½	vjRaytc				34	2	2	2	
73⅞	61	Raythn	2.20	3.1	10	685	71⅞	71⅜	71⅝	− ⅛
1½	½	ReadBt				898	⅞	11-16	11-16	−1-16
4⅝	1⅛	RdBat pf				11	3¼	3⅛	3⅛	− ⅛
17⅝	16¼	REIT	1.38	8.4	18	73	16½	16¼	16½	+ ⅛
18⅛	13½	RltRef	1.72	12.	9	1	14⅝	14⅝	14⅝	+ ⅛
12⅛	5½	RecnEq			24	90	7⅞	7⅛	7⅞	
17⅛	9½	Reebok	.30	2.2	11	4289	13½	13	13½	+ ⅛
[illegible]										
11⅞	9¼	StaMSe	1.08	11.		60	10⅛	10⅛	10⅛	− ⅛
8	4	Steego				1	4⅞	4⅞	4⅞	
12¾	8⅛	SterlBcp	.20	2.1	21	40	9⅜	9⅜	9⅜	
18⅛	11⅞	StrlCh	n.50e	4.2	4	304	12⅛	12	12	− ⅛
12⅞	10½	SfttVC pr	1	8.3		z10	12	12	12	
7⅞	5⅞	Stifel				94	7	6⅞	6⅞	+ ⅛
88⅞	59⅛	StoneW	2.40	2.8	16	15	87	86⅝	86⅝	− ⅛
30½	28⅞	StoneC	s .72	2.4	5	3572	30⅞	29⅞	30⅛	+ ⅛
9½	5	StorRe			7	145	u 8⅞	8½	8½	
13½	10⅞	StorEq	1.40	10.	13	136	13⅞	12⅞	13⅜	+ ½
17⅞	14½	StorTc	n		12	796	u17⅞	16⅞	17½	+ ½
18	11	StratMr	1.65e	13.	7	26	12⅛	12⅛	12⅛	+ ⅛
45⅞	23½	StrideR	.60	1.3	19	434	u46⅞	45⅞	46⅞	+1⅛
8	5⅛	SuavSh			17	5	7⅛	7⅛	7⅛	
11⅝	8⅛	SunDis	1.10e	9.8	11	x251	11¼	10⅞	11¼	+ ⅛
22⅞	11⅞	SunEl	.05e	.2		516	22½	21⅞	22⅜	+ ½
[illegible]										
14½	11⅜	Utilio pf	1.90	17.		98	11⅞	d11⅛	11⅛	−1⅛
18½	12⅞	UnitInd	.64	4.7	17	81	13⅞	13½	13⅝	
31⅞	26⅞	Unitrde			7	18	31⅞	31¼	31¼	− ⅛
24½	19¼	UnvFdS	1.08	4.5	9	288	23⅞	23⅝	23⅞	
10⅝	8⅞	UKing	.65e	6.5		160	10	9⅞	10	
5½	2⅝	UtdMM				35	3⅞	3⅞	3⅞	+ ⅛
2¼	1⅛	UPkMn				20	1½	1½	1½	
48⅞	29⅞	UsairG	.12	.3	10	699	46½	46	46½	+ ⅜
3	1⅜	USHom			17	694	2	1⅞	2	+ ⅛
29	16⅞	USShoe	.46	2.4	66	3036	19¼	18⅞	19⅛	+ ⅛
42⅛	28⅞	US Surg	.60	1.5	19	x68	39⅞	39⅜	39⅞	+ ⅛
70½	51½	USWest	3.76	5.5	11	889	69⅞	68⅞	68½	− ⅛
53½	34⅞	UnTech	1.60	3.1	10	1967	51⅞	51	51⅛	− ⅛
65⅛	28⅞	UniTel	1.92	2.9	58	6607	u67⅞	64⅞	65⅛	+1⅞
20½	15⅞	UWR	.88	5.3	17	75	16⅞	16½	16⅞	
8⅛	6⅞	Unitrde			88	30	7½	7⅛	7½	
[illegible]										
44¾	29⅞	XTRA	.72	2.0	16	165	35⅞	35⅝	35⅞	
33	25	XTRA pf	1.94	6.8		13	29½	28⅞	28½	
3¾	2	Zapata				368	3	2⅞	2⅞	+ ⅛
30⅛	18⅞	Zayre	.40a	1.4	183	6605	29¼	28¾	28⅞	
		Zayre wd				90	17	16⅞	16⅞	
15½	10½	Zemex	.40	3.4	132	12	11⅞	11⅞	11⅞	− ⅛
30	18½	ZenithE			668	2738	19⅞	18½	19¼	+ ⅛
10⅞	8⅞	Zeninc	1.26	14.		101	9⅞	9⅛	9⅛	− ⅛
2⅞	1	vjZenLb				1319	1⅝	1½	1½	
21⅝	15	ZenNtl	.80b	4.4	9	149	18⅞	18⅝	18⅝	+ ⅛
19⅞	13⅝	Zero	.44	2.3	15	121	19⅛	18⅞	18⅞	− ⅛
34¾	19	Zurnin	.68	2.0	17	1384	34	33	33½	+ ⅜
11¼	10	Zweig	1.07e	9.8		399	10⅞	10⅜	10⅞	+ ⅛
10⅛	8⅞	Zweig	n.24e	2.6		1157	9½	9⅛	9⅜	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices May 25

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 3pm prices May 25

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						
Wolohn	.28 9	x143	18½	17¾	17¾	− ¾
WolvEx		24	6½	6⅜	6⅜	− ⅜
Worthg	.48 14	1414	22	21⅝	22	+ ⅜
Wyman	.80 64	x152	17¼	17	17¼	+ ¼
−X−Y−Z−						
XL Dta s	19	611	22¾	22	22½	+ ¼
XOMA		1149	u18¾	18	18½	+ ⅛
Xicor	10	385	8⅛	7⅞	8	
YelowF	.70 11	367	28⅝	28⅜	28⅜	− ¼
ZionUt	1.44	47	25½	24¾	25	− ½
Zycad		1107	4⅛	4	4⅛	

AMERICA

Revision of GNP growth has little effect on Dow

Wall Street

A SHARP DOWNWARD revision to first quarter GNP growth had little overall effect on equities which traded in a narrow range yesterday, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 1.28 points lower at 2,482.59 on only moderate volume of 154m shares. The Dow had dipped around seven points in an immediate reaction to the GNP figures but then rebounded.

This was opposite to the Treasury bond market which first jumped on the news and then slumped back again.

The Commerce Department reported a sharp downward revision in first quarter GNP growth to 4.3 per cent from 5.5 per cent previously reported. However, the two key gauges of inflation were left unchanged with the implicit price deflator up by 3.9 per cent and the fixed weight index, regarded as the more reliable measure of the two, up 5.0 per cent.

The bond market reacted negatively to a very large downward revision in inventory investment and a large upward revision in net exports. These suggest the second quarter will be stronger than anticipated, as there is now a smaller than anticipated inventory overhang to work off and exports are more robust than previously thought.

The bond market's negative reaction was based on belief that these figures make it less likely that the US Federal Reserve will ease policy. The bond market has already been weakening as hopes of a near-term fall in interest rates have become more tenuous.

The stock market's stability in the face of bond market weakness and a slightly lower dollar after the GNP figures and a round of co-ordinated central bank intervention reflected the market's own internal dynamics.

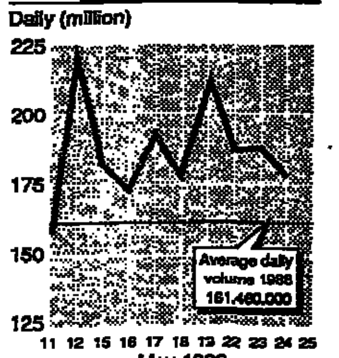
There is a lot of optimism left in this market based on evidence that foreign investors are once again committing new funds to the market and that any small dips have triggered renewed buying.

In the short-term, there is some caution as technical readings suggest that the market is still overbought. Nevertheless, traders took some encouragement from the fact that secondary stocks have been holding up well this week despite weakness in blue chip issues.

The NASDAQ Composite index of over-the-counter issues stood 1.40 points higher at 442.89 at the close.

Blue chip stocks ended well off their highs. International Business Machines lost a mid-session gain of $¼ to end $⅛ lower at $109¾. Procter & Gamble eased $⅛ to $102⅜. Ford declined $⅜ to $47 on news that its Edison, New Jersey, plant was being shut down temporarily because of high inventories. Merck gained $⅜ to $69⅛ and Eastman Kodak edged $¼ higher to $44⅞.

NYSE volume
Daily (million)



Among individual stocks, Integrated Resources fell $⅜ to $16¾ after it ended an agreement giving I.C.H. a controlling interest in the company through the purchase of 7.5m shares of Integrated.

In over-the-counter trading, Management Science America rose $½ to $11⅛ in the wake of news that IBM had built a 5 per cent stake in the company at $11.50 a share.

Canada

STOCKS were up slightly in quiet trading with most attention focused on currency markets not equities. The Toronto composite index rose 0.27 to 3667.70.

Hong Kong shows political nature

Michael Marray examines precedents for the current volatility

HONG KONG'S stock market has suffered worse falls in its time than the 12.5 per cent slump seen over four trading days this week. But for sheer volatility, recent days have set a record, with the Hang Seng index see-sawing several hundred points in either direction on sustained turnover of more than HK$3bn (US$385m) a day.

The scenes of panic selling over the past few days have served to re-emphasise the political dimension to investing in the Hong Kong market. For many years it has been hostage to events in Peking, but that has been particularly so since 1982, when the 1997 hand-over of sovereignty to China first loomed large.

That summer, the friendship price paid by the Bank of China for the site for its new headquarters building dealt a severe blow to confidence, being considered ridiculously low and thus a concession by Hong Kong. That was exacerbated late in the year by some ill-timed remarks on 1997 from UK Prime Minister Margaret Thatcher after her visit to Peking, which sent the market plunging.

The 1,200 point peak in the index recorded in summer 1982 was not scaled again for another two years.

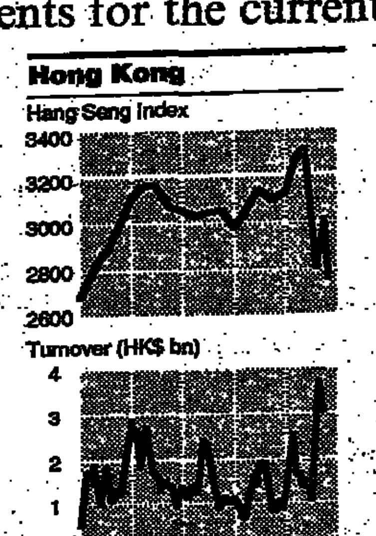
In 1985, a stern warning from Xu Jiatun, the senior New China News Agency official in Hong Kong, that the UK was deviating from the spirit of the joint declaration on Hong Kong's future, sent the market skidding 50 points lower in a 2.8 per cent correction.

Since then, however, there had been few real shocks — until the recent student protests. The declaration of martial law on Friday put the market in a tailspin on Monday, ushering in a week where swings of plus or minus 8 per cent a day on the Hang Seng index have been the norm.

The week's trading has illustrated how investors have been pinning their hopes on a victory for the reformers, with sudden buying surges following any rumour that Li Peng may be on the way out. The market plummeted yesterday morning after the previous night's renewal of television news censorship from Peking, indicating the hard liners had the upper hand.

At one stage yesterday, it was 367 points adrift before a bout of buying, prompted by an announcement that Zhao Ziyang was still in place as head of the communist party. The Hang Seng index eventually closed 256.22 points, or 8.5 per cent, lower at 2,752.51, on continued heavy turnover of HK$3.44bn, just below the post-crash record of HK$3.67bn set on Tuesday.

Hong Kong



"Investors are looking for the positive side to the crisis," said Mr Barry Yates of First Pacific Securities. "But people are totally disoriented because there is a campaign of disinformation in Peking at the moment," he said. False information was being fed into the market and adding to the panic.

Mr Richard Witts, managing director of Schroder Securities, said that the wild swings in the market seen this week indicated that no one really knew what was happening in the struggle for power in Peking.

Until the outcome is known, brokers expect continued volatility. Investors used to looking at the economic fundamentals have been sharply reminded of the China factor when putting their money into the territory's stock market.

"Hong Kong is a political market and we should never forget it," said Mr Witts.

EUROPE

Confident Paris surges as speculative trading sets in

THE DAY belonged to Paris, which was buoyed by the re-emergence of speculative trading yesterday. Most other bourses finished mixed. Frankfurt and Madrid were closed for the Corpus Christi holiday, *writes Our Markets Staff.*

PARIS had its best day for weeks, jumping by 1.6 per cent as speculative trading returned and dollar worries eased.

The CAC 40 index rose 26.55 to 1,716.15 for a two-day gain of 2.3 per cent. The OMF 50 index jumped 6.59 to 419.18. Stocks featuring in the 10 most actives list saw gains ranging from 4 per cent to 15 per cent.

Nord-est soared 15 per cent, Hachette surged 10 per cent and Seb, the white goods maker, jumped 10 per cent. One analyst said: "To see three such stocks with more than 10 per cent rises is quite spectacular. We haven't seen that for a while."

Nord-est rose FFr25.60 to FFr197 on returning from suspension after announcing that a favourable court decision had left the way clear for the sale of a subsidiary estimated to be worth FFr640m. The sale would add about FFr350m to earnings this year and analysts were hurriedly revising upward their estimates for the group.

Speculation that Havas is in talks to buy CGE's 41 per cent stake in Générale Occidentale boosted Havas by FFr40 to FFr959. But Occidentale saw profit-taking, falling FFr3 to FFr901 after reaching FFr930. Occidentale owns 50 per cent of publisher Groupe de la Cité and speculation of restructuring at Occidentale benefited publisher Hachette, which climbed FFr33 to FFr360.

Retailers featured on investors' shopping lists after Sir Ron Brierley of New Zealand said he might raise his stake in Galeries Lafayette. The French stock soared 8.4 per cent to FFr1,658, up FFr129, while Casino rose FFr6 to FFr226 and Nouvelles Galeries climbed FFr29 to FFr630.

AMSTERDAM finished at its peak as Wall Street opened slightly higher. The CBS tendency index rose 1.3 to 179.0.

Stable crude oil prices helped Royal Dutch gain Fl 2.10 to Fl 140.50 and demand from US investors pushed Philips 50 cents higher to Fl 38.80.

The high dollar benefited retailer Ahold, which makes a large proportion of its sales in the US. The company, which gained Fl 4.70 to Fl 120.50, was also sought because of last week's news of an agreement with Casino of France and Argyll Group of the UK.

Oce-van der Grinten, the office equipment maker, slipped Fl 4 to Fl 298 after announcing it was buying the graphics division of Schlumberger of the US.

KLM, the airline, gained 90 cents to Fl 47.90 after announcing an annual profits rise within expectations of 19 per cent rise.

Nedlloyd, which has long been the subject of takeover speculation, picked up Fl 14.50 to Fl 422.50 in active trading.

On the grey market, DAF, the Anglo-Dutch truck and van maker, was unchanged at Fl 56.40 after setting the final issue price at Fl 47 on Wednesday. Applications close on June 1 and official trading starts on June 5.

MILAN opened steadily, only to fall back later in moderate activity. The Comit index eased 0.92 to 600.14.

In the publishing sector, Mondadori gained L600, or 2 per cent, to L29,490 before bourse officials met to discuss the listing of Amef, which has been suspended. Amef controls more than 50 per cent of Mondadori.

The insurance sector was again weak, with Generali down L210 at L40,140.

STOCKHOLM had a hectic afternoon's trading and finished higher with the Affärsvärlden general index gaining 7.6 to 1,175.7. Asea restricted A shares rose SKr11 to SKr519 with a block of 700,000 shares traded internally.

ZURICH was tipped lower still by interest rate worries, as the Swiss National Bank said it would switch to a flexible Lombard rate from the present fixed system, amid indications that interest rates were on the way up. The Crédit Suisse index lost 1.2 to 552.4.

BRUSSELS was led higher by blue chip gains, with Solvay rising BFr350 to BFr15,350, for a rise of 8.5 per cent since May 16. The cash market index rose 43.09 to 6,092.89.

OSLO edged higher as banking and shipping stocks performed well. The all-share index gained 3.80 to 504.15.

HELSINKI advanced for the fourth session in a row, with the Unitas all-share index rising 2.4 to 803.8.

ASIA PACIFIC

Yen's small rebound helps Nikkei advance

Tokyo

A SLIGHT rebound by the yen gave a glimmer of hope to equities and share prices made substantial gains, although trading was still very thin, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average opened strongly and a recovery in the yen's value against the dollar helped to support buying interest. The index closed up 153.57 at 34,005.39 after moving from a low of 33,858.59 to a high of 34,006.37. Advances led declines by 536 to 355 with 186 issues unchanged.

Turnover, however, remained low at 714.44m shares, although this was an improvement on the 585.83m traded on Wednesday.

The Topix index of all listed shares rose 9.77 to 2,519.50 and, in London, the ISE/Nikkei index closed at 2,018 down 1.38.

Investors remained cautious, as uncertainty about a widely expected increase in the official discount rate and the political outcome of the Recruit scandal continued to cloud the prospect for equities in the near term.

Nevertheless, investors were beginning to view the outlook as a bit brighter. On the interest rate front, the US trend towards lower interest rates and the 0.2 per cent increase in domestic wholesale prices for the first 10 days of May, which was within the acceptable range, indicated that perhaps Japanese interest rates would not need to rise as much as had been feared.

Investors turned their attention to the testimony by former Prime Minister Yasuhiro Nakasone to the Diet (Parliament) concerning his involvement in the Recruit affair. Mr Nakasone's testimony could mark an end to one aspect of the affair, which has disrupted Japanese politics and cast a cloud over equity trading for so long. The Minister of Justice made a statement to the Diet that the prosecutor's office would shortly be bringing its investigations to a close.

Analysts were again pointing to the healthy supply and demand balance on the Tokyo market and the forthcoming inflow of funds from public institutions, which are likely to bring good times for equities.

Interest focused on good-earnings issues, particularly those in the heavy industry sector. Kawasaki Heavy Industries, which topped the most actives list with 81.1m shares, added Y30 to Y1,150 after posting a record high of Y1,160 during the day. The company was selected on expectations that it would post higher earnings for the year to March 1989.

Mitsubishi Heavy Industries was also actively traded and closed up Y40 at Y1,150.

Toda Construction, a company that relies on building construction for 75 per cent of its overall sales, advanced Y90 to Y1,800. It was popular on strong demand for buildings as well as on its low price/earnings ratio of about 40. It closed up Y30 at Y1,730.

Toshiba was third in volume terms with 18.8m shares and added Y20 to Y1,370. Interest returned to export-oriented electricals on news that the US may refrain from referring Japan as an unfair trade partner under the Trade Bill.

Investors in Osaka turned their attention to special situation stocks. The OSE average rose 190.73 to 32,970.60. Turnover improved to 88.27m shares against 61.97m traded on Wednesday. Teijin Seiki, a machinery maker, rose Y50 to Y1,520 on the strength of ongoing orders for aircraft parts from Boeing.

Roundup

THERE were steep falls in all the leading Asian-Pacific markets. Australia was hit by economic news while Singapore suffered in sympathy with Hong Kong.

HONG KONG continued to be volatile and fell sharply as uncertainty over China persisted. The Hang Seng index slumped 256.22, or 8.5 per cent, to 2,752.51 in active volume.

AUSTRALIA suffered its steepest daily fall for more than five months as investors took profits. The decline gathered pace after news of a 1.6 per cent rise in first quarter gross domestic product and a 3.3 per cent increase in March retail turnover.

The All Ordinaries index fell 27.1 to 1,544.1 on volume of 118m shares worth A$292m.

Blue chip issues led the market lower, with BHP falling 34 cents to A$8.44, CRA off 32 cents at A$8.96 and News Corp down 50 cents at A$14.10.

SINGAPORE was dispirited by the sharp fall in Hong Kong and retreated further. The Straits Times industrial index dropped 22.85 to 1,257.72 on volume of 88m shares, up from the previous day's 59.7m.

UIC, one of the most active stocks with 4.8m shares traded, lost 14 cents to S$2.34 after announcing a one-for-two rights issue.

SEOUL fell in the thinnest turnover this year. Investors stayed away because the Government's tight monetary policy has drained liquidity. The composite index lost 4.74 to 930.34.

TAIWAN rose for the 11th session in a row, hitting another record. The weighted index gained 153.15 to 9,504.40.

SOUTH AFRICA

GOLD shares ended slightly firmer in quiet trading in Johannesburg, propped up by a steady bullion price and a weak financial rand.

IFC EMERGING MARKETS INDICES

Market	No. of stocks	PRICE April 1989	% Change on Mar	% Change on Dec 31 '88	April 1989	% Change on Mar	% Change on Dec 31 '88	TOTAL RETURN April 1989	% Change on Mar	% Change on Dec 31 '88
			(Dollar terms)			(Local currency terms)			(Dollar terms)	
Latin America	(158)	245.2	29.3	60.5	–	–	–	328.4	29.9	63.8
Argentina	(24)	155.8	−8.9	−12.3	61,275.8	57.3	281.8	184.8	−8.7	−6.3
Brazil	(56)	198.3	47.7	114.9	61,886.2	52.2	199.8	278.4	47.8	120.0
Chile	(25)	542.1	6.5	18.6	1,055.3	5.2	19.8	557.0	9.5	23.4
Mexico	(53)	387.9	8.3	11.6	4,864.8	10.4	16.7	500.7	8.3	11.6
Asia	(204)	379.4	2.5	31.0	–	–	–	472.0	2.8	33.0
Korea	(61)	491.6	−6.5	2.0	395.9	−7.4	−0.8	824.1	−6.2	4.5
Malaysia	(62)	128.5	7.9	18.0	142.5	5.5	17.1	150.8	8.4	19.2
Taiwan,China	(62)	1,049.8	6.4	57.7	715.6	5.2	50.6	1,151.2	6.5	58.8
Thailand	(19)	260.6	9.7	19.4	244.3	9.9	20.7	466.3	13.6	29.2

Source: International Finance Corporation. Base date; Dec 31,1984.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY MAY 25 1989						WEDNESDAY MAY 24 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (88)	133.95	−0.4	125.70	117.47	−1.9	4.84	134.54	127.17	119.73	157.12	128.28	136.10
Austria (19)	115.11	+0.1	108.01	120.17	+0.0	2.15	115.01	108.71	120.17	124.16	92.84	87.89
Belgium (63)	128.16	+1.4	120.26	132.27	+0.6	4.13	126.33	119.41	131.47	137.10	126.33	120.58
Canada (125)	135.68	−0.6	127.31	118.83	+0.2	3.38	136.45	128.98	118.62	138.05	124.67	116.01
Denmark (38)	170.50	+0.9	159.99	180.24	+0.0	1.87	168.96	159.71	180.17	181.03	165.35	127.48
Finland (26)	141.84	+0.4	133.09	132.34	−0.4	1.58	141.31	133.57	132.83	159.16	125.81	133.20
France (128)	116.20	+2.5	109.04	123.22	+1.7	3.08	113.33	107.12	121.20	122.79	112.57	92.23
West Germany (100)	81.24	+0.9	76.23	84.26	+0.0	2.40	80.54	76.12	84.26	90.40	79.56	74.38
Hong Kong (49)	115.70	−9.3	108.57	115.58	−9.3	4.67	127.52	120.54	127.43	140.33	111.80	100.15
Ireland (17)	137.47	+0.8	128.99	144.50	−0.1	2.91	136.38	128.91	144.60	151.36	125.00	129.19
Italy (98)	75.45	+0.6	70.80	81.42	−0.2	2.66	74.97	70.86	81.58	86.88	74.97	69.97
Japan (455)	179.54	+1.0	168.47	161.10	+0.4	0.47	177.72	167.98	160.47	200.11	177.72	170.69
Malaysia (36)	174.94	−2.2	164.16	181.58	−2.2	2.62	178.84	169.05	185.66	184.26	143.35	134.81
Mexico (13)	220.49	+0.4	206.90	594.36	+0.6	0.85	219.58	207.55	590.82	220.49	153.32	151.15
Netherland (42)	114.28	+1.8	107.24	117.24	+0.9	4.39	112.24	106.09	116.16	122.22	110.63	103.08
New Zealand (24)	67.00	−1.0	62.87	59.61	−1.4	6.18	67.66	63.96	60.49	76.02	66.84	80.91
Norway (26)	180.31	+1.0	169.19	175.90	+0.3	1.51	178.50	168.72	175.35	198.39	139.92	117.81
Singapore (26)	154.88	−1.3	145.33	139.53	−1.3	1.94	156.88	148.29	141.34	160.35	124.57	111.31
South Africa (60)	129.47	−0.6	121.49	118.67	+0.7	4.45	130.21	123.08	117.86	144.86	115.35	130.52
Spain (43)	148.67	+0.9	139.51	140.28	+0.0	3.57	147.37	139.30	140.26	156.17	143.14	149.92
Sweden (35)	158.42	+1.1	148.66	157.19	+0.4	2.19	156.63	148.05	156.57	162.00	138.45	124.42
Switzerland (57)	68.87	+1.6	64.63	74.98	−0.1	2.48	67.81	64.10	75.06	79.76	67.81	76.03
United Kingdom (314)	140.14	+1.0	131.50	131.50	+0.2	4.37	138.83	131.22	131.22	153.33	134.53	138.35
USA (558)	130.14	+0.0	122.12	130.14	+0.0	3.44	130.10	122.97	130.10	131.21	112.13	103.82
Europe (1006)	114.00	+1.2	106.97	113.13	+0.4	3.60	112.65	106.48	112.74	121.70	112.65	107.34
Nordic (125)	150.35	+1.0	141.08	146.59	+0.2	1.95	148.91	140.75	146.31	155.61	137.95	116.48
Pacific Basin (678)	175.19	+0.8	164.39	157.46	+0.1	0.70	173.87	164.34	157.26	194.72	173.87	166.57
Euro–Pacific (1684)	150.73	+0.9	141.44	139.78	+0.2	1.59	149.40	141.21	139.52	164.22	149.40	142.89
North America (683)	130.38	+0.0	122.35	129.44	+0.0	3.43	130.39	123.25	129.39	131.50	112.79	104.47
Europe Ex. UK (692)	97.71	+1.4	91.69	101.76	+0.5	2.97	96.38	91.10	101.29	105.29	96.30	88.16
Pacific Ex. Japan (223)	123.02	−3.6	115.44	111.95	−4.3	4.57	127.57	120.58	117.01	137.65	123.02	116.96
World Ex. US (1882)	150.04	+0.8	140.79	139.05	+0.2	1.67	148.80	140.65	138.78	162.77	148.80	141.84
World Ex. UK (2126)	142.12	+0.5	133.36	136.44	+0.1	2.05	141.37	133.62	136.26	146.04	138.06	126.09
World Ex. So. Af. (2380)	142.00	+0.6	133.25	136.09	+0.1	2.24	141.19	133.46	135.90	146.65	138.82	127.15
World Ex. Japan (1985)	124.06	+0.2	116.41	123.04	+0.0	3.54	123.76	116.98	123.09	126.02	114.51	106.29
The World Index (2440)	141.93	+0.6	133.18	135.97	+0.1	2.25	141.12	133.39	135.78	146.51	138.83	127.17

CONSTITUENT CHANGES (MAY 25): Deletion: Telemecanique Electrique (France). Name change: GB-Inno BM to GIB Group (Belgium).
Markets closed on May 25: Austria, Spain and West Germany.